AT DECEMBER 10 1995

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EU central bank Finns' dark horse

in top job debate

Page 3



Gerry Adams

Streetfighter or statesman?

Book review, Page 10



THURSDAY DECEMBER 11 1997

FINANCIAL TIMES

Finance

Demise of the universal bank

Peter Martin, Page 10



FT Exporter

Year-end analysis of world markets

Separate section

World Business Newspaper http://www.FT.com

WORLD NEWS

Worries over Yeltsin's health hit Russia's fragile markets

Russia's fragile markets were shaken when the Kremlin announced that President Boris Yeltsin had an "acute respiratory viral infection" and would be in a sanatorium near Moscow for up to two weeks. Page 12

Korea talks end with hope The opening session of talks between China, North and South Korea and the US to produce a permanent peace settlement in the Korean peninsula has ended with agreement to meet again in Geneva next March. Editorial Comment, Page 11

Danes forecast surplus Danish economy minister Mar-ianne Jelved predicted Denmark will have a surplus on both the current account and the govern-ment budget fiscal balance for the first time since 1963. Page 3

Brussels copyright plans The European Commission has unveiled its long-awaited draft directive to harmonise EU rules on copyright in the information society. Page 4

French back 35-hour week France's leftwing government has approved a draft bill bringing in a 35-hour week for private companies with more than 20 staff in the year 2000. Page 3

Santer rejects charges European Commission president Jacques Santer rejected charges that Brussels under estimated costs of EU enlargement in eastern Europe. Page 2; Editorial Comment, Page 11

Mexico in EU talks Mexico's trade minister Herminio Blanco said detailed talks with the EU on a free trade zone could start as early as March. Page 4

Turkish PM wins vote Turkey's PM Mesut Yilmaz has easily defeated a vote of no confidence, with the opposition falling 32 votes short of the 276 needed to topple him. Page 2

Muclear arms threat Nuclear arms are likely to be used sooner or later unless they are eliminated, said a group of senior foreign policy figures who spent three years analysing international conflict. Page 5

Serbs walk out of Bosnia talks Serb leaders have walked out of an conference on Bosnia in a protest over Kosovo. Page 2

Call for Likraine reform Ukraine's financial state is so bad that the government must reform or face economic collapse, reformist deputy PM Serhiy Tyhypko said. Page 3

Dublin ranks low for cabs ireland's economy has outgrown the rest of Europe but the number of taxis has not kept pace, and a Dublin University study estimated the cost at more than <u>IE12m (\$17m) a year. Page 2</u>

German party bit by ruling Germany's Free Democratic Party, junior member of the ruling coalition, was hit when a court ordered it to repay DM10.5m (\$5.9m) of state aid. Page 2

Argentina air safety 'deficient Safety in Argentina's airspace is "critically deficient" said Latin American and Caribbean airline pilots after a spate of near-misses this year. Page 5

New Swiss president Swiss foreign minister Flavio Cotti has been elected as the country's president for a one-year term from January. Page 2

Pigeons settle out of court The makers of Hollywood movie No Code of Conduct are paying to treat a flock of pigeons hurt by explosions during the filming.

2,932,18

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EXCHANGE RATES

(-27.22) (-67.64) (-46.4) (-206.36)

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London · Leeds · Paris · Frankfurt · Stockholm · Madrid · How York

Los Angeles · Tokyo · Hong Kong

Markets

New York: Junctifiere Dow Joses and Av NASDAO Composto Europa and Far East

OTHER RATES UK: 3-mp interbank

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Japan: 10 yr JGH HORTH SEA OIL (Argust) \$17.02

BUSINESS NEWS

JP Morgan results signal blow to global earnings

J.P. Morgan, the US bank, warned that its fourth-quarter earnings would be lower than expected, adding fuel to fears about the impact of weak Asian markets on the profits of interna-tional banks and industrial com-nanies. Page 18 panies. Page 18

BellSouth, the US regional telecoms operator, is in talks with Düsseldorf-based Veba about taking a stake in the German industrial conglomerate's fledgling telecoms operation, o.tel.o. Page 17

Frontline, the Bermuda-based group, has mounted a legal chal-lenge in Sweden to the \$309m merger between ICB Shipping of Sweden and Astro Tankers, the privately owned Greek shipping company. Frontline, behind a SKr3.22bn (\$410m) hostile bid for ICB, has argued that the deal flouts Swedish company law. Page 16

Unified Energy Systems, Russia's national electricity monopoly, is to to sell 101 subsidiaries unrelated to its core business, including poultry farms and commercial banks. Page 14

Corning, the US-based manufacturer, said its consumer housewares division, which owns the Pyrex and Corning Ware brands, remains up for sale after AEA Investors, a private investment group, pulled its \$975m bid for the operation. Page 13

General Motors is to buy 49 per cent of Delta Motor, the vehicle assembler formed from a management buy-out of its South African subsidiary. Page 12

Coopers & Lybrand, the Big Six accountancy firm which is seek-ing a global merger with Price Waterhouse, has announced a 10 per cent increase in worldwide revenues to \$7.5bn for the year to September. Page 16

Pearson, owner of the Financial Times, Thomson, the Canadian media group, and Bridge Information Systems have expressed interest in a financial informa-tion business that could be sold by Primark for up to \$1bn. Page 18

largest US insurer, said it has raised \$1.53bn for an infrastructure fund to invest in Asia. Page

Tenneco, the US packaging and automotive products group, saw its shares fall by almost 10 per cent vesterday after the company warned that its fourth-quarter profits would fall well below analysts' estimates. Page 14

Sidek, Mexican tourism and real estate conglomerate, has won the backing of most of its main creditors for a restructuring plan to liquidate \$1.3bn of assets. Page 14

Tianjin Development Holdings, investment arm of the Tianiin municipal government in China, saw its shares rise 24 per cent on their debut yesterday, signalling a possible revival of confidence in "red chips" in Hong Kong. Page 13

span's financial watchdog called for penalties to be imposed on Daiwa Securities and Nikko Securities, the country's second and third-largest brokers, over a recent racketeer scandal.

which borrows on behalf of the government of South Korea, is to issue a \$2bn international bond to refinance emergency borrow ings from the International Monetary Fund. Page 13; Editorial Comment, Page 11; Lex, Page 12

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Commission seeks delay on cattle materials ban

By Michael Smith in Brussels and Alison Maitland, George Parker and Maggie Urry

The European Commission yesterday decided to press for a three-month delay to a ban on the use of "specified risk material" from cattle in a range of industrial products including food and medicines.

At the same time the Commission's scientific advisory body called for a widening of its ban on the sale of some cattle, sheep and goat parts because of fears over the spread of BSE or "mad cow" disease.

The Commission's recommendation for the SRM ban to come into effect from April 1 rather than January 1 will be seen as a climbdown amid growing divisions between member states. However, it was welcomed in

the US. Washington has argued that the ban on such material puts billions of dollars of trade at risk because cattle derivatives, including tallow, are used in a wide range of products.

It believes the ban, which the commission decided to implement last July, with only partial backing from EU member coun-tries, is not justified if applied to its caitle and has threatened a trade war. The three month delay will

intensify friction between EU member countries because some including Germany, Austria, Spain and Italy - argue that they

By Victoria Griffith in Boston

Sithe Energies, the US subsidiary

of Générale des Eaux, the French

utilities group, is to pay \$675m

for 12 power plants belonging to

Boston Edison, the Massachu-

The sale of the Massachusetts

and Maine plants is the first step

towards state-mandated deregu-

For Boston Edison, the move is

part of a strategy to focus on

tomer service and withdraw

Sithe. 60 per cent-owned by

Générale des Baux, said yester-

day that it would invest another

\$1bn to boost generating effi-

ciency, dramatically expanding

Separately, Générale de

Chauffe, another subsidiary, of

the French giant, agreed to pay

FFr430m (\$72m) for a 53 per cent

stake in Moravskoslezke

Teplarny, the Czech utility - one of the largest combined heat and

power companies in central

Europe. The acquisition involves

the Czech company, Independent

Générale des Eaux has been

lation in the electricity sector.

and Andrew Jack in Paris

setts electricity utility.

from generation.

its US presence.

are BSE-free and should therefore be exempted. Such exemptions would be resisted by the UK and other countries with BSE.

The recommendation of the 16member Scientific Steering Committee could end the sale of T-bone steaks across Europe and restrict the supply of lamb on the

The committee said the intestines of cattle, sheep and goats of all ages, and the lungs, vertebral column and dorsal root ganglia - a cluster of nerves inside the column - of animals more than one year old should be added to the list of specified risk material "if they do not originate from a BSEfree country".

The move comes only a week after the UK government decided to ban sales of beef on the bone from Tuesday.

"This is bad news for the beef market," said Copa, the European farmers' organisation. It said consumption and prices would take another knock just as sales were recovering from the March 1996 crisis.

Beef on the bone accounts for 20-25 per cent of sales on the continent, compared with 5 per cent in the UK, said Costa Golfidis, livestock representative.

The ban on boned mutton was less worrying because most lamb sold on the bone was under 12 months old, he said. However, in a footnote the

Continued on Page 12

nesses such as Générale de Santé

and Générale de Restauration.

Acquisitions include a control-

Last month, it expressed an

interest in buying or running

London Underground. Sithe said

vesterday's deal was one of

many it hoped to complete in the

US over the next few years after

The company operates 22

power plants in the US, including six each in New York State

and California and four in Penn-

sylvania. Massachusetts and

other US states are trying to cut

the cost of electricity to

consumers by introducing com-

Boston Edison, under state leg-

islation enacted last month,

reduction for all customers by

September 1999. "This sale will belp us do that," said Thomas

Sithe's \$1bn investment will

include the installation of state-

of-the-art generating equipment

Continued on Page 12

May, its chief executive.

media group.

deregulation.

petition.

Générale des Eaux unit

to buy 12 power plants

a 16-year high of 25.48 per cent, six times the inflation rate. Power, unto itself ... Lim Chang-yuel, the finance minister, dismissed speculation that Korea might be in danger of Korea to issue bond ... defaulting on overseas loans,

founder of the Islamic revolution. Iran and Arab states differ, Page 6

which could result in a moratorium and restructuring of debt of guaranteed medium-term corsimilar to that affecting Latin porate bond issues from tomor-America in the 1980s. In response, the government announced it was accelerating a

wider opening of the stock and bond markets to foreign investors. It also suspended the operations of five more troubled ling stake in Havas, the French investment banks in addition to nine suspended last week as part It has also been awarded the of a restructuring of the financial contract to manage two regional industry under IMF terms. railway franchises in the UK. It also announced plans to

By John Burton in Secul

debt obligations.

South Korea's financial markets

were in turmoil yesterday amid

worries that the International

Monetary Fund's \$57bn rescue

package would be inadequate to

meet the country's short-term

The Korean currency, the won,

fell by its 10 per cent daily limit to a record low of 1,565.90 won to

issue a \$2bn bond to meet its short-term debt obligations. The bond, which will have a threeyear maturity, is likely to be short-term debt exceeded \$100bn, priced to yield a much higher spread than South Korea is accustomed to paying.

Looking over their shoulders: Saudi delegates on the second day of the 8th summit of the Organisation

of the Islamic Conference stand in front of a portrait of Ayatollah Khomeini, former Iranian leader and

IMF rescue fears trigger

S Korea market turmoil

Under the stock and bond market measures, the foreign shareholding ceiling in listed companies will nearly double to 50 per cent from today, while foreigners

the dollar, while interest rates rose more than 50 basis points to Anger at IMF terms. Editorial Comment ... Page 11 Page 11 Page 12 ...Page 13

> will be able to acquire 30 per cent The Seoul bourse reacted to the

measures by climbing 3 per cent to 399.85. But analysts did not expect much capital inflow because of worries over foreign exchange losses.

Mr Lim expressed confidence that foreigners would respond favourably to the market opening, despite this year's 46 per cent drop in the won's value.

The won has failen by its daily limit for three days in response to reports that Korea's total nearly twice previous estimates.

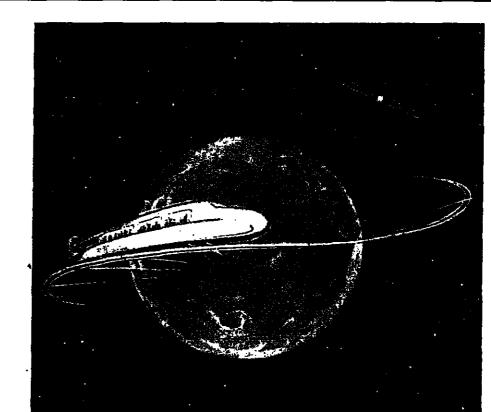
Mr Lim said the large debt did not pose a threat since nearly half was borrowed by overseas subsidiaries of Korean compa-

He admitted that Korea's heavy reliance on short-term debt was a main reason for the financial crisis, but the nation's debt servicing was modest at 6 per cent of gross domestic product.

Mr Lim said the government would not place its foreign exchange reserves in the overseas branches of Korean commercial banks after the IMF revealed that usable reserves had fallen to only \$6bn last week because of the practice.

Korea's official reserves were \$23.9bn, but access to \$17.9bn was blocked because the funds were in overseas accounts. Korea must meet short-term obligations of up to \$20bn by year's end.

Korea's crisis hit financial markets across the region with the Taiwan dollar tumbling and shares in Hong Kong falling.



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transforming itself under its chairman, Jean-Marie Messier,

COMMENT & ANALYSIS

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to cathode ray tubes Page 19

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EMERGING MARKETS

World Stock Markets, Page 32 Highlights at a clance

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(1.6457) (1.7946) (6.0073) (1.4623) (129.86) Y 129.45

French inflation

rate up to 1.3%

French headline inflation in November rose to 1.3 per cent

from 1.0 per cent the previous month, according to Insee,

The modest rise was attributed to food prices and

rate running at 1.3 per cent. Over the past 12 months

energy costs while underlying inflation remained stable.

France is likely to complete the year with the annualised

France has enjoyed the most stable inflation rate in the

EU. The November headline rate compares with 1.6 per

Consumer prices in November were up 0.2 per cent after

flat October. Foodstuffs rose 0.6 per cent, mainly fresh

public services dropped 0.2 per cent because of air tariffs

produce. After a gas rise at the beginning the month,

energy prices also increased 0.6 per cent. In contrast

Santer rejects charges of massaging figures on costs of admitting east Europeans

EU has 'ample' funds for enlargement

By Lionel Barber in Brussels

Jacques Santer, president of the European Commission, yesterday rejected charges that Brussels had deliberately under-estimated the costs of the European Union's planned enlargement to eastern

Speaking ahead of tomorrow's EU summit in Luxembourg. Mr Santer said the Commission's proposed spending levels for 2000-2006 Europe, " he said. "We have to left ample room for admitting up to succeed." 10 former Soviet bloc countries.

"We do not massage the figures," he told a news conference in response to criticism in the European Parliament. Some MEPs claim that the Commission is

Taxis fail

to keep

pace in

Dublin

By John Murray Brown

The Irish economy may have outgrown that of the rest of

Europe but the supply of

taxis has failed to keep pace.

The number of licences for

the capital has not changed

for more than 20 years - a

singular constraint when

demand in the economy as a

whole is rocketing.

ment's mistaken optimism about absorbing unification with east

Mr Santer's prime message was to urge fellow leaders at the summit to prevent petty financial squabbles obscuring the vision of a Europe united between west and east. "This is a big day in the history of the European Union which will mark the end of the division of

The Luxembourg summit is expected to issue invitations to five eastern applicants - the Czech Republic, Hungary, Poland, Estonia, and Slovenia – as well as Cyprus to open negotiations in

EU leaders will offer extra financial aid and political reassurances to those left behind. The disappointed candidates are Latvia, Lithuania, Bulgaria, Romania and Slovakia, the latter failing on political grounds. But deep divisions remain over how to spread the cost of enlargement among existing

banish "artificial fears". The 10 candidates stood to receive Ecu75bn (\$84bn) in financial aid, Ecu45bn of which would be in regional funds, assuming modest growth of 2.5 per cent a year. The EU would have an extra

Mr Santer said it was time to

and 2006 if the Commission's procent of EU gross domestic product only amount to 1.22 per cent over the period, he said.

This would amount to an extra Bcul5bn, according to internal Commission calculations. In addition, countries on a slower track to enlargement would receive more money because the faster-track countries would start paying into the EU budget once they become

Mr Santer called on Greece and Turkey to patch up their differences before the summit. He insisted that Turkey should respect

"fundamentalist" forces

opposed to the west in

Turkey's domestic politics.

But the more immediate

reason for wishing to keep Turkey on side is the fact

that Cyprus is one of the

countries with which the EU

is committed to open

membership talks next year.

These talks can if necessary

be held with the purely

Greek Cypriot government in the south of the island.

But everyone agrees it

would be far preferable to

include the Turkish Cypriots

as well, and everyone hopes

UN-sponsored talks to

communities and reunite the

island can proceed at the

same time. France, for one.

is on record as saying it

would not allow a divided

Yet without active

encouragement from the

Turkish government there is

no chance that the Turkish

Cypriots will participate in

EU membership talks, or

make any serious effort to

reach agreement on

reunification. Some western

governments also fear

Greek-Turkish disputes in

Cyprus and the Aegean

could spark a war if not

On Tuesday Mr Yllmaz

promised Mr Blair he would

co-operate with the British

EU presidency (which starts

next month) to solve both

the Cyprus question and the

Turkish-Greek conflict by

"finding mutually acceptable

On his side, the UK Prime

Ministerpromised to do his

best to get Turkey invited to

a European conference "with

substance", but urged Mr

Yilmaz to make the task

easier by making whatever

public moves he can before

the summit, whether on

Cyprus, on submitting the

Aegean dispute to the world

court, or on human rights

formulas".

meanwhile,

though claiming it has no

objection in principle to

Turkish EU membership, is

blocking any moves in that

Turkish troops in northern

and wants to use Turkey's

relations with the EU as a

lever to bring about a

On the other side, Britain,

France, Italy, Spain and

Austria are all anxious to

placate Turkey as far as

possible, not because they

they fear the consequences

of leaving Turkey resentful

Cyprus settlement on terms

two

reconcile the

Cyprus to join the EU.

repeating the German govern- March 1988 to join early next cen- margin of manoeuvre between 2000 the principle of good neighbourliness regarding its territorial disposal to hold spending at 1.27 per pute with Greece in the Aegean. It was time to acknowledge the role survives. In fact, spending may of international courts to resolve such disputes, and to support efforts to reach a settlement in

But he also said that Greece should acknowledge Turkey's vocation to be a member of the EU and to unblock financial aid related to the EU customs accord.

George Papandreou, Greek foreign minister, reaffirmed the hardline stand in Athens to Turkish participation in the conference. "We will hold our ground," he told Reuters yesterday. Editorial Comment. Page 11

Foreign

investors

return to

Russia

By Chrystia Freeland

For Russia, the worst of the

international financial crisis

is over, and foreign investors

are beginning to return to

the market, a central bank

"The situation has signifi-

cantly normalised and the

peak of the pressure is

over." Denis Kisiliev, deputy

chairman of the bank, said.

We have an impression that

the nervousness of investors

about emerging markets is

But Mr Kisiliev's assess

ment risks being sabotaged

by Boris Yeltsin's latest ill-

ness. Russian markets,

which had been making a

tentative rebound, began to

sink yesterday after news

that Mr Yeltsin bad been

Mr Kisiliev said the rouble

had begun to strengthen and

foreign investors were

returning to the fragile trea-

sury bill market. "The

actions of the central bank

and government have been

adequate. The rouble is sta-

ble and foreigners are begin-

ning to buy government

"More than tens of mil-

lions of dollars" in foreign

investment had returned to

the domestic treasury bill

market, Mr Kisiliev declared.

Russians had also returned

to the market, creating buy-

ing pressure which had

The central bank, which in

November spent over \$4bn of

its hard currency reserves

propping up the rouble and

holding down rates in the

treasury bill market, had not

intervened since the start of

Mr Kisiliev, who has spe-

cial responsibility for super-

vising Russia's largest com-

mercial banks, said he

believed the commercial

banking sector would

He insisted the Russian

central bank would not bail

out domestic banks if they

collapsed. Instead, the cen-

tral bank would sell failing

banks to investors able to

cover their liabilities.

According to Mr Kisiliev.

several leading western

institutions have volun-

In the last week of Novem-

ber and the first week of

December, the two most dif-

ficult weeks for the Russian

banking system, Russia's

biggest banks had been

forced to come up with

\$1.3bn to meet margin calls

on dollar-denominated Rus-

sian debt, he added.

weather the recent crisis.

this month.

pushed yields down.

taken to hospital.

official said yesterday.

FININVEST INQUIRY

NEWS DIGEST

the official statistics agency.

cent at the same period last year.

Berlusconi stays away

Silvio Berlusconi, the leader of Italy's centre right opposition, did not comply with a request from Milan prosecutors to appear yesterday for questioning as part of hruseculor investigation, his lawyer said.

Mr Berlusconi was summoned for questioning in the

morning by the Milan prosecutor's office, his lawyer, Prosecutors are trying to demonstrate that Fininvest. the Berlusconi-owned holding company, paid billions of

lire to Rome judges in order to obtain favourable sentences in trials affecting Fininvest's businesses. Investigated parties must be summoned for questioning by law before the close of an investigation. The investigation is in its final stages. No charges have been brought against Mr Berlusconi, although he was found guilty last week of separate charges relating to false

EU MILK QUOTAS

Italy and Spain accused

The European Commission said yesterday it would take legal action against Italy and Spain over their failure to collect fines from farmers producing too much milk.

"The European Commission has decided to open infringement proceedings against Italy and Spain with regard to the failure of these member states to ensure the satisfactory operation of the milk quota regime," it said in

Franz Fischler, farm commissioner, warned that failure by EU members to respect the rules jeopardised the espect the same legislation was given in other countries. Given that the milk quota regime has been in operation since 1984 it is quite unacceptable that 13 years later it is still not being correctly applied," he said. The Commission said its main concern was the failure by Italian and Spanish authorities to collect the super levy, which is a fine imposed on farmers producing over their

It said it had already reduced advance payments from the 1995-96 farm budget to Italy and Spain and would do the same for the 1996-97 period.

STATE AID

Brussels probes Buna cash The European Commission yesterday reopened an

investigation into a massive state aid payment to Buna, one of the largest complexes of the former east German chemical industry, at the time of its privatisation in 1995. Some DM9.5bn (\$5.3bn) of aid was paid to the company which then employed 68,500 people

Brussels fears that amendments to the original privatisation contracts lead to increases in capacity which go beyond the plan approved by the Commission last year, and in 1995. Brussels also fears that new energy contracts signed by Buna contain extra state aid. Buna was acquired by Dow Chemical, the US company. which was the only bidder to present a sound plan for a complete restructuring of the company, retaining 2,200 Emma Tucker, Brussels

■ SWISS PRESIDENT

Cotti in chair for 1998

Flavio Cotti, 58, Switzerland's minister of foreign affairs, has been elected president for a one-year term from January 1.

The president, chosen annually to chair meetings of the seven-strong Federal Council, has had a largely ceremonial role in the past. But the job has had a higher profile with the increasing criticism of Switzerland's role in the second world war and the country's increasing isolation in Europe.

This has led to increasing debate within Switzerland about whether the powers of the presidency should be strengthened and the term extended from one year to four. However, any changes on this score are unlikely to effect Mr Cotti's presidency, which will be dominated by the celebrations of the 150th anniversary of the

Ruth Dreifuss, 57, the Socialist home affairs minister, was elected vice president and, provided Switzerland does not change its current system will become the first female head of state next year.

RUSSIAN CRIME

\$10m hijacker arrested

"The financial crisis Russian security forces yesterday arrested a lone hijacker brought significant losses. and released 142 passengers who were unaware of the but we have not heard of hijack until they left the aircraft. any defaults by Russian

"Everyone is safe and sound," Gennady Zaitsey, head of Russia's Federal Aviation Service, told reporters at the Sheremetyevo-1 airport in Moscow, where the airliner

The hijack suspect, Gennady Todikov, 59, seized the llyushin-62 early in the morning after it took off from Magadan in the Far East en route to Moscow with 142 passengers and eight crew members on board. The deputy interior minister, Pyotr Latyshev, told

parliament later in the day that the hijacker delivered a letter signed by three passengers demanding \$10m and a written guarantee to take them to Switzerland and grant them political asylum there. He was armed only with a fake bomb, police said

■ GERMAN POLITICS

FDP must repay funding

The German Free Democratic party, the junior member of Chancellor Helmut Kohl's ruling coalition, was hit yesterday by a court ruling ordering it to repay DM10.5m (\$5.9m) of the state aid it received for last year. The party responded immediately by announcing plans for an appeal but Hans-Rolf Goebel, party spokesman, warned the ruling could severely disadvantage the party in the run up to next September's federal elections.

The ruling followed mistakes in the application process. If upheld, the decision would make a big dent in campaign funding although the repayment could be funded out of future income. It comes at an difficult period for the FDP, with opinion

polls suggesting it may fail to win the 5 per cent of support needed to gain places in the Bundestag, the lower Rolph Atkins, Bonn

Turkey's PM demands an upgrade from 'third class'

Mesut Yilmaz wants his country to be promoted at least to the pre-accession group of future EU members, writes Edward Mortimer

his weekend's European Union summit

Luxembourg, intended to set the scene for enlargement negotiations with new members in central and eastern Europe, is in danger of being dominated by the old and vexed issue of what to do about Turkey.

sooner rather than later.

Hence the complaint of

Mesut Yilmaz the Turkish

prime minister, that his

country is being accorded

"third class treatment", even

though it has an association

agreement going back 34

years which was supposed to

been in the "final stage" of

during which, under the

discussed, "and that's what

we expect the Union to do

So far, however, Turkey

has only been offered

membership of an annual

"European conference"

bringing together present

Mr Yilmaz visited Tony

Blair, the UK prime minister

on Tuesday and yesterday

went on to Luxembourg to

now'

associate membership, present this group seems

agreement, the conditions of Latvia, Lithuania, Romania full membership should be and Slovakia.

and future members, and record through fear of being

lead to full membership.

John Fingleton, an economist at Trinity College, yes-No one, not even the terday published a report Turkish government, suggests Turkey should be estimating the cost to the included in the select group Dublin public at more than I£12m (\$17m) a year of states which will start through the time lost in negotiating terms of entry queuing and the monopoly next April. In all probability these will be Cyprus, the profits earned by the taxi Czech Republic, Estonia, "A lobby group of 2,000 Hungary, Poland and

has a disproportionate influ-Slovenia. ence on a market of more The problem is that the EU is not even willing to than Im users," says Mr Fininclude Turkey in the second The numbers should be "doubled or tripled" to meet be ready yet, but destined to the current demand, and the be future members and government should dereguentitled to help to get late the licensing procedure, themselves ready to join

he added. Since 1978, Dublin's population has grown by 13 per cent - with a 66 per cent increase in the adult numbers as a result of the 1960s

The annual number of tourist arrivals has risen from 25m to 9m. As for the city's 1,994 cabbies, licence plates change hands for more than I£80,000, compared with the original cost

of I£100. recently decided to issue an additional 200 plates but only 30 will be ready by

A survey by the Dublin Corporation, the city authority, found that less than quarter of telephone calls to cab firms succeeded in obtaining taxis between 10 a.m. and midnight. The previous Fine Gael-led

government passed responsibility from the minister to the local authorities to grant new licences. But Olivia Mitchell, Fine

Gael transport spokes-

woman, says the move was "a poisoned chalice for the local authorities." Only last month, the city centre was brought to a standstill for several hours, when drivers blocked the

main streets in protest at

plans to increase the licence

John Usher, of the Taxi six-month-old government Drivers' Federation, said: "I am outraged people are talking of a thousand new licences. Our critics are always focusing on the weekend rush hour. You have to remember our members are having to wait for two hours in the middle of minority coalition the day to get a fare."

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FRANCE:

SWEDEN:

Turkey's prime minister. Mesut Yilmaz, easily of no confidence in his yesterday, writes John Barham in Ankara. The conservative opposition True Path party

had accused a cabinet minister of corruption. If the government had lost, Mr Yilmaz and his government would have had

allegations against Yasar Topeu, public works minister and a former True Path hardliner, over the awarding of a highway construction contract. However, MPs from True

Path and the Islamist short of the 276 votes needed to topple the

Victory was virtually the Grand National to snub the vote altogether.

For his part, Mr Topcu

The Supreme Court Welfare. A state prosecutor is

be closed down for allegedly conspiring against the secular order during its 11-month government which collansed in June after pressure from the secularist

next Tuesday to consider fresh evidence. by the end of the year banning Welfare and

Observers expect a verdict

see Jean-Claude Juncker share European culture and could strengthen the within Turkey. **No-confidence vote defeated**

public, that no Moslem and ill-disposed towards the

country can ever really EU. One concern is that this

Mesut Yilmaz: not interested in a mere 'family photo'

promoted at least to the direction until Turkey

"second class" of future agrees to submit a border

"pre-accession strategy". At considers the presence of

likely to consist of Bulgaria, Cyprus an illegal occupation,

are unwilling to commit acceptable to the Greek

Cypriots.

Greece,

who will chair the summit.

He told them Turkey was

not interested in being

invited to a mere "family

photo" with no substantive

content. It wants to be

Mr Yilmaz points out that members, those for which dispute in the Aegean to the

Germany and several

north European countries

themselves so clearly to

future Turkish membership,

for a mixture of reasons,

ranging from disapproval of

the country's human rights

even that is not yet agreed swamped by Turkish actively desire Turkish by all EU members. swamped by Turkish actively desire Turkish migrant workers to a more membership but because

general feeling, expressed

more in private than in

Turkey has for two years the EU is developing a world court. Greece also

defeated an opposition vote

to resign, possibly triggering fresh elections. True Path have made

assured after 55 deputies in Assembly renewed a pledge

said the result vindicate him and the government. yesterday began the final military. The court is to reconvene

proscribing its leaders for

tages of its deliberations Welfare party fell 32 votes in the case against

Protest over Kosovo seen as election ploy and pretext to blunt foreign criticism

Serb walk-out mars Bosnia talks

By David Buchan in Königswinter

Serbs and other ethnic communities majority in Kosovo. in Bosnia.

The abrupt walk-out by the representative from Serbia. followed Serbs to steer the limelight away promptly by the Bosnian Serbs. marred the presentation - though not the substance - of yesterday's the conference to express concern on decision by the Peace Implementation Conference backing bolder action by Bosnia's international and even from Russia, as well as supervisors to break political dead- from Germany itself. locks between its ethnic communi-

As host of the conference, Klaus from Bosnia, had taken 140,000 asy-Kinkel, German foreign minister, lum-seekers of Albanian origin from sought to play down the Serbs' pre- Kosovo, with 1,500-2,000 more arrivmature departure. He attributed the ing each month. These ethnic Alba-

"election tactics" inside Serbia. He against the situation in Kosovo. tative in Bosnia, called for acceler-Serb leaders yesterday stalked out of scorned the Bosnian Serbs for reactan international conference on Bosnia in a protest over Kosovo, effection of the composition of the compos tively using a side-issue to distract communiqué call for dialogue this exodus, instead of ordering his attention from foreign criticism of between Serbia and its Albanian

But, embarrassed by the way the raising of the Kosovo issue allowed from the conference's decisions on Bosnia, Mr Kinkel said pressure for Kosovo had come from Robin Cook. UK foreign secretary, from the US,

Mr Kinkel complained that Germany, in addition to all its refugees

Serb representative's walk-out to nians were "voting with their feet" Referring to Slobodan Milosevic, the representative to leave the room."

The Serb walk-out may set back any foreign mediation on Kosovo, though US officials predicted their hehaviour over Kosovo would lead to tougher international action against them in Bosnia.

The event also created fresh awkwardness for Biljiana Playsic, the relatively moderate Bosnian Serb president. After Momcilo Krajisnik, the Serb member of the collective Bosnian presidency, followed the Serb representative out, Mrs Playsic told the conference she would try to persuade them both back. She failed, and did not return herself.

Carlos Westendorp, the interna- lines for the three deals.

tional community's High Represenated efforts to consolidate peace. ence of Nato-led peace-keeping forces "is never going to be as massive as it is now".

Despite some earlier Russian reservations, the conference endorsed Mr Westendorp's intention to impose binding decisions in the many areas where the Bosnian communities fail to agree.

Mr Westendorp hailed preliminary agreement on Monday by the three Bosnian co-presidents on a new format for a common passport, a formula for common citizenship and a framework for the state's council of ministers. But, in case these preliminary accords fail to stick, the conference communiqué maintained dead-

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inflation | to 1.3%

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and to feed prices and Sections regaren ermannet dage appear the year with the atminished e poor Over the past 12 months Se more stapes registration and the second

of the year was the second state of the second total all box seeds and seed the the M the beginning the month. of the part because of the latting Robert Gentlem Para

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NEWS: EUROPE

Government gives itself room for manoeuvre by leaving detail to new round of legislation in two years' time

Paris approves draft bill for 35-hour week

By Robert Graham in Paris

France's Socialist-led government yesterday approved a draft bill introducing a 35-hour working week in the year 2000 for privatesector companies employing more than 20 people

The controversial proposal, opposed by the Patronat employers' federation, was criticised by President Jacques Chirac after he had chaired the cabinet meeting

By Charles Clover in Kiev

Ukraine's financial situation

is so bad that the govern-

ment must carry out reforms

or face economic collapse,

Serhiy Tyhypko, the reform-

ing deputy prime minister,

financial situation is an

excellent foundation for seri-

ous economic reforms," he

told a Kiev economic forum.

He said the government

had to cut its expenditures

drastically, get rid of burden-

some regulations, lower tax-

ation, and above all, privat-

ise. "If we can manage, in

the course of two or three

months, to untie the hands

of business, in six months

business will stand up and

His comments came amid

mixed news on the financial

front. As interest rates edged

up to 44 per cent in a trea-

sury bill auction, Dmytro

Rikberg, national bank

spokesman, said that the

Lombard borrowing rate

would be raised from 37 per

cent to 45 per cent tomorrow

to defend Ukraine's cur-

rency, the hyrvna.

help us."

toward reforms today."

"Our extremely difficult

said yesterday

Ukraine will

be 'forced' to

make reforms

"Nobody implements go ahead and place some reforms of their own will ... \$400m worth of the bills, Everything is pushing us Alex Scippel, a managing

by leaving much of the detail to a year 2000. Those smaller than this week by paying a sliding scale second round of legislation in two years' time.

Yesterday's draft will be debated by parliament in mid-January. Compared with initial proposals discussed in October, when the government decided to go ahead with the project, concessions have been made to the problems of small businesses.

Originally, all private companies employing over 10 people endorsing the bill. But the govern- were expected to cut the working ment has left room for manoeuvre week from 39 to 35 hours in the

Merrill Lynch to place hun-

dreds of millions of dollars

worth of Ukraine's treasury

bills may be revived. Last

week the IMF had objected

to the deal on the grounds

that the instruments carried

have reversed its position,

but Valery Pustovoitenko,

the prime minister, vester-

day asked Merrill Lynch to

Alex Seippel, a managing director for debt capital mar-

kets at Merrill Lynch, said

that his bank was in the

final stages of approval of

the deal, though it has not

been signed. Mr Seippel

named a figure of \$250m for

"If we cannot get money

on the external and internal

the placement.

The IMF appears not to

an exchange rate hedge.

would have until 2003.

The government's decision to broaden the scope of those excluded from early introduction of the scheme means some 1.8m companies employing over 35 per cent of the workforce will have until 2002 before they have to comply. But, in parliament, the if the reduction is bigger. left will press to reduce those excluded, to companies employing

10 people and less. The draft proposes encouraging companies to move to the 35-bour nothing if they have agreed no a chance to introduce more pro-

incentive based on lowering levels of social security outlays. Those who begin in 1998 will receive the equivalent of FFr9,000 (\$1,510) per employee in the first year if they reduce working hours by 10 per cent and boost the workforce by 6

Over the next four years the incentive drops to FFr5,000. Equally, those beginning the scheme late will receive less, and

work reduction by 2,000.

Key rules for fixing overtime payments, the essential extra cost for employers, have been left until the second law. This is likely to be 25 per cent extra per hour. Leaving out this element allows flexibility in talks between employers, unions and government.

per cent. The incentive is greater Despite the opposition of the Patronat, which claims costs could rise by 11 per cent as at the year 2000, the government hopes the scheme will allow businesses

ductive and less rigid working arrangements. Of late, ministers have begun to play down the impact on job creation

The proposed law side-steps whether employers can reduce effective pay in return for cutting work hours and taking on mon staff. Employers will be able to average out the number of hours worked over the year. Public sector employees are excluded from the proposed law, largely because the state cannot afford to take on more personnel.

survey forecasts surpluses

Danish

By Hilary Barnes in Copenhagen

Denmark will enjoy a surplus on both the current account and the general government budget fiscal balance for the first time since 1963. Marianne Jelved, minister for the economy, predicted vesterday when presenting a new government

The budget is now expected to show a surplus this year, for the first time for 10 years, of about 0.6 per cent of GDP, rising to 2.2 per cent

of GDP in 1999. The current account, which has been in surplus since 1989 after 26 consecutive years in deficit, will nar-

row to 0.5 per cent of GDP from 1.5 per cent in 1996. The government has not allowed the crisis in the East Asian economies to cloud the outlook for the next two years, when it expects that

GDP growth will be about 2.7 per cent and 2.5 per cent respectively. The economy has grown at an average 3.2 per cent between 1994 and 1997, with a growth rate of 3 per cent

predicted for the current

year. The boom has cut the unemployment rate from 12 per cent in 1993 to 7.7 per cent this year and a predicted 7.1 per cent in 1998. But it is also taking its toll of the current account surplus. With exports for the first nine months of the year at DKr237bn (\$35bn) and imports at DKr216bn, the

year is close to the consen-

sus view, economists were

expecting rather better trade

figures. Anne Buchardt, an

economist at Unibank, said:

"These were disappointing

figures. We expected a better trade balance. It looks as if

the current account balance

may be close to zero for the

is not a theoretical concept enshrined in a treaty, but a principle that will be put to practical use. Such strongwilled determination which she shares with most of her colleagues in other EU central banks - may not be fully appreciated everywhere in EU capitals.

Without sufficient fiscal

discipline, she says, there

will be higher interest rates.

dismissive of the view that

in their anti-inflationary zeal

central bankers are fighting

non-existing threats. While

inflation rates have moder-

ated throughout the world

during the 1990s to an extent

that some economists have

even proclaimed inflation to

be dead, she maintains it is

"a phenomenon connected

with human behaviour -

Ms Hāmāläinen is notably

High-flying banker catches the eye Finland's Sirkka Hämäläinen is persuaded by the greater becoming known for toughness degree of wage moderation during the last few years. "Is this is a permanent change in behaviour or has Sirkka Hämäläinen's early enough because there are so many practical questions which are now imporit merely something to do with the high unemployment unless vou are Finnish - but tant. So these questions rate? If it is not permanent, then we will see a new diffi-

it is being heard more and more in European high places.

The governor of the cen-tral bank of Finland is being talked of as a candidate for one of the top jobs on the six-member executive board of the European Central Bank, its powerful inner

Several EU officials even

hold her in such high esteem that they look upon her as a possible compromise candidate for the ECB presidency itself if the Netherlands and France fail to reach a deal over their competing candidates. Among other EU central bankers who could be an alternative to Wim Duisenberg, the Dutch president of the European Monetary Institute, and Jean-Claude

Trichet, governor of the

Bank of France, she is con-

markets, there's only one sidered the most promising. alternative: sell some state Ms Hāmālāinen regards property," said Mr Tyhypko, the stand-off between the "We must remember that two leading candidates for the state needs money, and the top job as unsavoury. "I the state is a had owner." think it's painful. It is a pity Yuri Hryshan, deputy that we have this kind of chairman of the State Property Fund, added yesterday saying it does, but it can that Ukraine planned to have an effect on the crediissue government bonds next year which could be

should have been solved ear-It is not that European

central bankers disagree on much that matters. They all have a dislike of inflation, a fondness for monetary targets and a suspicion of politicians. Ms Hāmālāinen is no exception. In some respects she is tougher than most of her colleagues, having seen through the most painful monetary contraction and subsequent recession experienced by any EU country in the 1990s.

She says bluntly that the ECB, as a new central bank, will have to establish its credibility in financial markets without fear or favour, and without paying too much attention to politics.

"Central banks have to be medium-term oriented. And politicians very often just see the short term. The short term can be in very serious conflict with the medium term. And that's why I think it is very important the central banks are independent. Their task must be very narsituation. It can - I am not row, but there they must have independence."

To succeed, the ECB must bility of the central bank. It not shy from conflict, she would have been good to says. Unpopularity is, after converted into shares of have been able to agree on all, the fate of a central in what it has to do the euro companies being privatised. Ithe name of the president banker. "In all countries would end up as a strong policy and wage settlements



there is some kind of tension between the central bank and the government. It is always popular to reduce interest rates, and always unpopular to raise them."

Ms Hämäläinen is reticent about her own ambitions, but she has ambitions for the Emu project and for the euro, the future single currency. If the ECB succeeds

and internationally important currency. "Then the ECB will have to meet its responsibilities in the global environment," she says, emphasising the need for greater international

While she expresses opti-mism about the ECB's success as a central bank, she is more concerned about fiscal

co-operation among central

hanks.

you can never forecast precisely what human behaviour is going to be". Having seen the results of erratic economic behaviour over the years, Ms Hāmālàinen falls into the category of trade surplus has narrowed to Dkr22.1bn compared to the archetypal conservative DKr26bn in the same period central banker. Her main message is that last year. central bank independence While the government's economic forecast for next

Wolfgang Münchau | full year".

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Anger at IMF terms may boost Korean opposition

By John Burton in Seoul

A public backlash against tough terms imposed by the week's presidential election in favour of the main opposition candidate, who wants to renegotiate the controversial

Private tracking polls conducted by the Korean media show that Kim Dae-jung, veteran centre-left opposition leader, has gained a narrow 5 percentage point lead over the government candidate, Lee Hoi-chang, in the close election campaign. Mr Kim's support is around 40 per

Published opinion polls are banned for three weeks before the December 18 elec-

Mr Kim, who was slightly ported the agreement in trailing Mr Lee two weeks ago before the IMF deal was signed, has enjoyed a bounce International Monetary in popularity as he criticised Fund's \$57bn bail-out of the IMF terms, which are South Korea could tilt next expected to lead to growing unemployment as austerity measures threaten to close uncompetitive companies.

> A victory by Mr Kim could further unsettle foreign investor confidence in Korea by increasing doubts about its commitment to implementing the IMF conditions, which many Koreans regard as a threat to their "economic sovereignty".

> When Michel Camdessus, the IMF managing director, asked the candidates to submit a written pledge of support for the rescue package, only Mr Kim declined. He sent a letter instead to the government that he sup

ther renegotiations.

ing financial turmoil is working against Mr Lee, who has tried to distance himself from the unpopular administration of Kim Young-sam, who cannot stand again.

The majority centre-right vote that would normally ensure a victory for Mr Lee is being split by Rhee In-je, a young former provincial governor who bolted from the government party to mount an independent bld.

Mr Rhee, who has also criticised the IMF deal and called for its renegotiation. is enjoying a rise in popularity at the expense of Mr Lee, the only candidate to support the IMF agreement.

principle but subject to fur- Rhee gains more than 20 per Public anger about the help throw the election in nation's debt crisis and ensu- favour of Mr Kim, who is making his fourth presidential bid since 1971. The opposition has never won a presidential election since South Korea was founded in 1948.

Some analysts believe that Korea's normally conservative voters may still opt for stability and vote for Mr Lee. "Once they get into the voting booth, they could regard Lee as the safest choice in a time of national troubles," said a western diplomat.

background that would suggest a strong commitment to the radical market reforms demanded by the IMF.

Mr Lee, a former supreme court judge, is considered a quintessential member of

Neither candidate has a



Rhee In-je (right), with party adviser and former presidential candidate Park Chan-jong

the political élite that has finance minister, dismissed initially briefed the candicore constituency, which includes trade unions, small businesses and farmers. Lim Chang-yuel, Korea's

giste economy, while Mr claims by Mr Kim that he Kim would be expected to would renegotiate the IMF protect the interests of his terms if elected. "There is no reason why

international markets should worry if Kim

Lim in an interview.

longed ruled Korea's diri- as election rhetoric the dates about our request to the IMF, he immediately gave his full support to the oposal. I expect he will fulfil that commitment once the election is over," said Mr

Asian economic crisis lapping at the fringes of Victnam's deteriorating economy, analysts say that such Watchdog demands action over illegal payments to sokaiya a response could consign the communist-run country to Daiwa and Nikko braced for years as a backwater.

"If they don't sort it out now, they may lose the next few years. There is a risk that slow change could be seen as no change at this point," said Tony Foster of Freshfields lawyers.

Vietnam

donors to

give stiff

warning

By Jeremy Grant in Hanoi

When Vietnam's donors

meet in Tokyo today to dis-

cuss official development

assistance, they will issue

stern warnings to Hanot to

reform, or risk economic

Diplomats expect Hanoi

will receive slightly over

\$2bu in concessional fund-

ing, just below last year's

levels. Much of that will

come from Japan which, for

strategic reasons, wants to

maintain commitments to

Hanoi despite a 10 per cent

But the fear is that Hanoi

will also do as it has done

before: listen politely and

fudge the reforms. With the

cut in its worldwide aid.

decline.

Foreign investment is sharply down on last year's levels and domestic savings are only 17 per cent of gross domestic product. Exports have been hit hard by regional devaluations.

Donors will be hoping the new prime minister, Phan Van Khai, has the muscle to push through recently proposed reforms that would help set Vietnam on a path to export-led growth and unlock fresh funding from the International Monetary Fund and World Bank.

They also want Hanol to improve its aid disbursement record, which is the lowest in Asia. Jean-Pierre Verbiest, Asian Development Bank representative, said concessional funding would not last "for ever that it was subject to the fiscal constraints in developed countries.

Export surge increases pressure on Hashimoto

By Gillian Tett in Tokyo

Japan's exports surged in October compared with the same period last year but imports remained sluggish, further increasing political pressure on prime minister Ryutaro Hashimoto to boost domestic demand.

Continuing economic weakness has forced the government to announce another emergency package the details of which are likely to be unveiled next week – and has led to sinking popularity ratings for Mr

In a further sign of the government's concern about the economy, the Ministry of International Trade and Industry yesterday pledged to double the amount of government-subsidised loans available for small and medium-sized companies from Y6,000bn (\$47bn) to Y12,000bn. The move reflects

effect on the "real" economy, credit lines to companies which could trigger bankruptcies given the flat

domestic demand The imbalance between Japan's imports and exports pushed Japan's politically sensitive trade surplus in October to Y1,277.8bn, 96.8 per cent up on a year earlier. The current account surplus rose 220.2 per cent on an annual basis to Y1,081.3bn, the seventh consecutive month of annual growth.

Some government officials hope a continued rise in exports this winter will help ease this pressure on industry, particularly since the yen has fallen below Y130 to the dollar to touch a fivevear low this week.

While such falls have traditionally prompted protest from Washington, the US has been silent about currency trends recently. This banking turmoil could soon has prompted some Japanese

have a serious knock-on officials to suspect that some yen weakness - and more because banks are cutting export growth - will be tol-

> Nevertheless, if the export trend continues, it is likely to upset Washington, which has demanded that Tokyo take measures to stimulate domestic demand and reduce its massive trade surplus. The ruling Liberal Demo-

cratic party is due to present its third package of proposals to boost the economy on Tuesday. This will cover tax reform, deregulation and measures to promote financial stability. Bureaucrats and politicians are still debating details of the proposals, including controversial suggestions that Y10,000bn worth of government bonds should be issued to support the financial sector. The suggestion is viewed with deep unease by the Ministry of Finance, and has

provoked splits in the LDP.

Some analysts fear this

could delay any proposals.

penalties in gangster scandal

Japan's financial watchdog yesterday called for penalties to be imposed on Daiwa Securities and Nikko Securities, the country's second and third largest brokers, over a recent racketeer scandal.

Exchange Surveillance Commission (SESC) has asked the Ministry of Finance to punish the groups after it produced evidence they had made illegal payments to Japan's sokaiya racketeers - who blackmail companies by threatening to reveal embarrassing details at shareholder meetings.

The move is another blow to Japan's brokerage sector, which has seen investor confidence slump after Yamaichi Securities, the

brokerage, collapsed last Details of the penalties are

expected this month but analysts expect that they will be in line with those imposed on Nomura Securities, the largest broker, earlier this summer The Securities and after similar findings. Nomura was fined and parts of the company's domestic business suspended for several months.

Some of these suspensions, such as an exclusion from Japanese government bond auctions, are still in

Nomura is the healthiest broker and analysts expect the group to rebound from the blow. The company's share of trading on the Tokyo Stock Exchange last month, in spite of the

Some analysts fear that of some Y354.8m between large penalties could hit Daiwa and Nikko harder because the groups are not to the amount of money perceived to have as effective an international reach as Nomura and could lose clients to foreign investment hanks.

Some officials suspect this will persuade the Ministry of Finance to impose slightly lighter penalties, particularly because the amount of money involved in the Nikko scandal was smaller

than at Nomura. The SESC said vesterday that Nikko had made illezal trades of some Y29.5m (\$232,200) in 1994 and 1995 by mixing up client and proprietary trading in its books. The proceeds of this were then passed to Ryuichi

1992 and 1995, the SESC said. This is thought to be similar involved at Nomura Officials admitted that

the government would almost certainly be forced implement some penalties, especially as the Japanese public has been deeply critical of the government's failure to act over the brokerage scandals.

In addition to the sokaiya scandals, it has also emerged that Yamaichi had Y260bn of hidden tobashi losses, or losses which are concealed by shuffling between

Daiwa's share price has recently fallen amid rumours the group also has such losses. The company strongly denies this.

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NEWS: WORLD TRADE

Brussels copyright proposals under fire

The European Commission erty Organisation (Wipo) yesterday unveiled its longawaited draft directive to harmonise European Union rules on copyright in the barrage of criticism from between the divergent and industry,

The legislation aims to ensure fair treatment across the EU for products and services containing intellectual uted online, or on digital car-

new World Intellectual Proptreaties.

Mario Monti, the single market commissioner, described the proposals as often conflicting rights and interests concerned".

However, the draft directive immediately came under property, whether distrib- software sector. The International Federation of the Phoriers, such as CD-ROMs, and nographic Industry (IFPI), DVD-Video. Adoption of the which represents record

Record companies also criticised the Commission's failure to harmonise home ment at a time when we are moving towards really substantive changes in the way fire from the entertainment of PolyGram's record compa-software sector. The Interna-nies in continental Europe.

The main elements of the

By Emma Tucker in Brussels law would allow the EU to companies, claimed one loopand Alice Rawsthorn meet many of its international facilitate the sale of Granting authors meet many of its interna- hole would facilitate the sale • Granting authors, per- rules for home copying. At gal copying by banning protional obligations under the of devices to record formers, record and film pro- present, some countries duction and sale of devices

encrypted digital music sig-ducers and broadcasters an or prohibit copies of their works. This clause recognises the fact that when discopying legislation. "This is tributed digitally, films and authorise or prohibit any information society - amid a striking "a fair balance an extremely flawed docu- music can be copied per- online distribution to the fectly, making them more public of originals or copies vulnerable to piracy. • An exemption is made for can be applied in teaching

our business is conducted." certain technical acts of and scientific research, use said Rick Dobbis, president reproduction dictated by by visually or hearingtechnology, but with no eco-nomic significance, such as for criticism or review, and copies made by computers use in judicial procedures. draft directive, which could during transmission. How- • Member states will be be significantly amended in ever, member states remain required to provide adequate

free to devise their own legal protection against illeimpose levies on blank tapes designed specifically to cirexclusive right to authorise and video recorders to compensate rights holders. Authors will be granted a

general exclusive right to of their work. Exceptions certain technical acts of and scientific research, use

convent encryption technology. But the IFPI claims this rule should be tighter.

The proposals do not touch the controversial issue of who will be liable for breaches of copyright. This issue, of particular concern to online service providers such as telecom companies. will be dealt with in a directive next year examining all aspects of liability including defamation, privacy, pornographic or racist content, and copyright infringement.

she said, adding that any

false certificates could only

growing rapidly. It exported

Ecu500m (\$560m) worth of

shoes to the EU last year -

mostly non-leather sports

shoes and rubber-soled, can-

vas topped beach shoes -

accounting for around 40 per

cent of all Vietnamese

exports to the EU. Brussels

expects this year's exports to

reach Ecu800m, a rise of

Vietnam's shoe exports are

be forgeries.

NEWS DIGEST

WTO offers presented

Thailand and India yesterday presented their offers in World Trade Organisation talks to liberalise global financial services markets due to end tomorrow. Seven countries promised to table new or improved offers by today. They are Bolivia, Colombia, Honduras, Indonesia, Malta, Romania and El Salvador.

Japan also said it was ready to improve its offer by scheduling in the WTO three bilateral agreements on liberalisation of its banking and insurance markets that it had previously concluded with the US. The European Union told an informal meeting of negoti-

ators that the talks were on a "razor's edge". The US said it was prepared to continue negotiating through the night in an effort to get other countries, particularly developing economies, to improve their offers further. Some US industry representatives have been disappointed by the offers from east Asia, which they feel do not go far enough. Frances Williams and Guy de Jonquières, Geneva

■ MEXICO-EU TRADE

Talks planned on free trade

Herminio Blanco, Mexico's trade and industry minister, said yesterday that detailed negotiations with the European Union on a free trade zone could start as early as On Monday, Mexico and the EU signed a co-operation

agreement that constitutes the legal and political basis for trade negotiations next year. Mr Blanco said the agreement would be sent to the Senate in January and should receive assent by the European Parliament three or four months later.

The growth of trade with North America has hit Mexico's share of trade with the EU, although EU-Mexico trade has risen in absolute terms. While bilateral trade reached \$11.2bn last year, the EU's share in Mexico's total trade dropped from 11.4 per cent in 1994 to 6.1 per cent last year. Similarly, the share of Mexican imports in the EU market has dropped from 15 per cent at the start of the decade to less than 9 Adrian Michaels, London

OECD Export Credit Rates

The Organisation for Economic Co-operation and Develop ment announced new minimum interest rates (%) for offi-cially supported export credits for December 15 1997 to January 14 1998 (November 15 to December 14 in brackets).

D-Mark	6.09	(6.13)
Ecu	6.01	(5.91)
French franc	6.18	
Guilder	0.16	(6.18)
up to 5 years	5.90	(5.95)
5 to 8.5 years	6.25	
over 8.5 years		(6.30)
Italian Bra	6.65	(6.75)
	5.73	(5.82)
Yen	2.10	(2.10)
Peseta	6.37	(6.39)
Sterling		
Swiss franc	7.82	(7.62)
US dollar	4.65	(4.50)
up to 5 years		
nh m a kessa	6.76	(6.84)
5 to 8.5 years	6.80	(6.93)
over 8.5 years	6.90	(7,05)
		•

maintain their faith in Asia

in London

Most US and European multinational companies with sales or factories in Asia have shrugged off the recent currency turmoti and are committed to the region and their investment goals.

A survey by Renaissance Technomic, the US managefound that while one-third the purchase of greater considered the region to be stakes in joint venture partless attractive since the cur- ners. A small group felt rency crisis. 79 per cent were themselves in a stronger not planning to change their position post-crisis. strategy.

trast to a survey in 1994 of the same proportion expeclarge companies exposed to ted increased rates of return. Mexico in the wake of the The beneficiaries were peso's devaluation. Steven mainly exporters from the Ganster, managing director region who expected that the of Renaissance's Asian consultancy, said: "With lead to increased shipments, Mexico, more companies said: 'We have to cut our overheads, sales forces and operating costs to minimise the damage'."

The survey of companies ICI. BASF and Hoechst from Europe, and General Motors, around 15 per cent felt sig- recover to pre-crisis levels. Though he gave no esti-

of the regional crisis. This group included companies such as Whirlpool of the US which have no local plants and whose only exposure to the region was as importers

Manufacturers with local plants felt the devalued currencies offered opportunities ment consultants, of the to integrate their operations regional managing directors further through the buyout of 35 large multinationals of dealers or distributors or

of their own products manu-

factured elsewhere.

Some 14 per cent foresaw The findings are in con-stronger sales in 1998 and devalued currencies would offsetting tighter margins.

Some 60 per cent of the executives questioned believed the currency instability would last until the end of 1998 or beyond, with operating in Asia, including Thailand expected to undergo the longest period of instability. Most believed Tenneco and Dow Chemical it would take three to four would have been "a good of the US, found that only years for the region to year for trade".

Multinationals False shoe labels worry EU shoes are subject to anti- manufacturers of shoes.

By Jeremy Grant in Hanoi

European Union customs authorities are concerned that a growing slice of Vietnam's burgeoning shoe exports to Europe is being falsely labelled, with manufacturers from third countries masking their source with Vietnamese certificates of origin in a bid to dodge

"There is an increasing suspicion and in some cases shoes that are labelled as being from Vietnam are in fact from elsewhere,"

said one EU official. He said customs offices in

member state countries needed to gather more information before coming to appeared that many of the merce and Industry (VCCI) falsely labelled shoes are asserting that the goods are made in Vietnam, whose being made in China. Customs officials are con-

cerned because the develop- quota restrictions. ment appears to be undermining efforts to stem a VCCI secretary general, said recent flood of cheap Chi- Hanoi had never issued cernese shoe imports, which are tificates of origin for Chinese documented evidence that putting pressure on Euro- products and maintained pean manufacturers. Chi- strict internal controls on nese shoes are subject to the process. quotas and certain types of

dumping duties. umping duties. With the traders we've Exporters in East Asia are always been very careful," allegedly obtaining certificates of origin issued by the firm conclusions but it Vietnam Chamber of Com-

> shoe exports are free of EU However, Pham Chi Lan,

"We only issue them to the about 30 per cent.

Global value of exports topped \$5,000bn last year World trade in goods up 5%

By Frances Williams

World trade in goods grew by 5 per cent in volume terms last year, slightly below the average for the five previous years, but appears to have accelerated egain in 1997, according to the World Trade Organisa-

Giving his annual overview of developments in the international trading system to WTO members, Renato Ruggiero, WTO director-general. said yesterday that 1997 term recovery prospects.

mates, he said both world 1997 has already seen a nar- commodities and semi-manutrade and output were likely rowing of regional differ- factured goods, lowered the to be higher this year than ences in economic perfor- growth by value of world in 1996, when they rose by 5 mance, with slower though merchandise trade to only 4 per cent and 2.5 per cent still strong growth in east per cent. Nevertheless, the respectively.

an expansion of exports from Europe compared with 1996. vices grew by 5 per cent in the region and a slowing in import demand in the com- in economic performance reach \$1,260bn. This was ing year. He urged other will spill over into improved well down from the 14 per WTO members "to show real export growth for 1997, cent growth recorded in understanding" and the WTO says, though the 1985, though much of the dif-appealed to east Asian gov- value of exports may grow ference is accounted for by ernments not to reverse eco- more slowly because of the the rise in the dollar.

Asia, continuing rapid total value of exports topped However, Mr Ruggiero growth in Latin America, the \$5,000bn mark for the warned that east Asia's and stronger economic activ- first time, at \$5,120bn. financial crisis could lead to ity in western and eastern Exports of commercial ser-

The overall improvement value terms last year to nomic liberalisation which, continued appreciation of he said, could inhibit longer the dollar.

Commercial services trade rose particularly fast in

rose particularly fast in In 1996 dollar appreciation, Latin America and Asia, up According to the WTO, and lower prices for some by 8 per cent last year.

MAY DECEMBER 11 Day

When Vietnam dangs most in Table to lead as to de afficial desciopen statistics, they will have Marie authority of Hallings status, at the common

indicate other items All tagetal distilling the concentration of me from last trans devote Much of that all comes from Japan which to Stangenter, 14.#3r.11. untel **Beistein** emmilligleuft fi gener gerfete it fit bet tell and he has must blu alle and The the feat to that lines potent. Heten beifele all other the reference With the Aries Centreller cher le ping at the frame of the Buth a deferring that the ses, analysis on that any Transporter, Land of Comment of Manual Little Lauris ! WATER BALL Day Survey "U they don't sen a m me. they may how the me that show charge reads

in as he chape at the Mat. Sauf True ! soler : Prochifielde lauren Pereign imment sharply down on his up. Intelligible and speciments of the me maly to the same state Compaths promot the bare hern his hing ; regional desails. Donors will be 5 page.

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Man Hamilton

offers

Marie Line Market Con-A 20 50 A TAC

on free trade

CHILE POLLS

Centre-left looks set to win

Chile's 8m voters go to the polls today to elect all 120 members of the lower house, and 20 of the 38 elected senators. The opinion polls forecast a solid majority. between 53 and 55 per cent of the votes, for the centre-left government coalition, known as the Concertation for Imogen Mark, Santiago **NEWS:** THE AMERICAS

Take nuclear weapons off alert, study urges | Pope to Castro:

Nuclear weapons are likely to be used sooner or later, either by accident or deliberately, unless they are eliminated, according to a panel of senior figures in the foreign-policy world who spent three years analysing the sources of international conflict.

The study, co-chaired by Cyrus Vance, former US secretary of state, called on the five nuclear

revival under way in

Los Angeles are there for

The unfinished car park

near the downtown Music

Center does not look much.

but within five years it will

be topped off with a \$200m-

plus Frank Gehry-designed

concert hall dedicated to

At around the same time a

scruffy site next to the

nearby convention and exhi-

bition complex will have

sprouted a stylish sports

arena, glorifying the name of

its sponsor, the Staples office

products chain, and show-

ers basketball and Kings

be filling up with a new

cathedral designed by

Spain's Rafael Moneo, a

music school, and, it is

hoped, hotels and entertain-

Today, the Getty Center, a

The spaces in between will

than others.

Walt Disney.

hockey teams.

ment facilities.

NEWS DIGEST

no-confidence vote.

Venezuelan military.

elections heats up.

■ PUERTO RICO

The elements of the \$1bn fine arts and educa-

everyone to see. You just two years ago, it was the have to look harder for some only assured addition to the

casing the talents of the Lak- cultivate the city were "too

Caracas move

to oust minister

Luís Raúl Matos Azócar, Venezuela's finance minister, is

facing an attempt by opposition congressmen to oust him

a government contract. Opposition parties have proposed a censure and removal of Mr Matos from office in a

They allege that Mr Matos, architect of the economic

reform plan, though not finance minister at the time of

involving an Italian company contracted by the

fraudulent payment of \$9.5m in what they say is a swindle

The outcome of the new vote will depend largely on the

social democratic Acción Democrática (AD) party, which backed Mr Matos in last month's vote. The charges are

widely seen as a far-fetched attempt to discredit Mr Matos

reforms as the campaign before next year's presidential

Puerto Rico's largest circulating newspaper is suing the

island's governor for what it says is an attempt to stifle

press freedom, and is seeking compensation for losses it

Antonio Luis Ferre, editor and publisher of El Nuevo

newspaper in April after it carried a series of articles

the advertising was stopped because of budgetary

Dia, said the government cancelled advertisements in the

alleging corruption in the administration. The newspaper

However, Pedro Rossello, the governor, contends that

constraints. He said he welcomed the suit "because I want

the people to be aware of what's being discussed here".

Weakening overseas sales drove the US current account

third quarter, the Commerce Department said yesterday.

months as Asian trade partners try to boost sales to the

widened 11.4 per cent to \$42.16bn from \$37.85bn in the

second quarter - its highest level since \$42.83hn in the

Restructuring plan approved

Panama's state electricity company is on course for .

privatisation next year after approval of a restructuring

plan. The generating and distributing operations of the

monopoly will be separated. Private investors will be invited to bid for 51 per cent stakes in three new regional

generating company, and for 49 per cent stakes with operating control in three hydro-electric generators.

at about \$100, has appointed the International Finance Corporation, a private-sector arm of the World Bank

distribution companies and in a thermo-electric

Instituto de Recursos Hidraulicos y Electrificación (IRHE)

The electricity sector is estimated to need investment of \$1.5bn in 10 years to meet demand. IRHE, which is valued

In the three months from July to September, the deficit

Reuters, Washington

The recent Asian currency crisis is expected to increase

deficit, the broadest measure of the nation's trade

pressure sharply on the US trade deficit in coming

performance, to its highest level in a year during the

and the achievements of the government's economic

Newspaper sues governor

claims it suffered after the government canceled

advertisements in the newspaper.

is claiming \$6m in lost revenues.

■ CURRENT ACCOUNT DEFICIT

US sales overseas tall

US while buying fewer American products.

Canute James, Kingston

third quarter of 1996.

PANAMA ELECTRICITY

Tomorrow Congress will begin hearings over Mr Matos' involvement in an allegedly fraudulent 1995 payment over

from office, for the second time in a month.

cultural and civic tional institute, shines in

just-completed splendour on its west-side hill: less than

Then, the centre was still

widely suspected as a prod-

uct of folie de grandeur in memory of the eccentric oil

billionaire, J. Paul Getty,

whose legacy paid the bills.

At best, it was seen as a

stronghold for artistic tradi-

tions that had few LA roots.

David Geffen, one of LA's

top pop culture gurus and partner in the DreamWorks

Meier design, its classical

contents, and ambitions to

good" for unappreciative

gandising, the Getty - which

opens next week - has been

transformed in the public

LA's cultural renaissance.

But by dint of much propa-

studio, said the Richard

Even a few months ago,

alert and dismantle them. "The proposition that nuclear weapons can be retained in perpetuity and never be used - accidentally or by design - defles credibility," said the report by the Carnegie Commission on Preventwas the latest in a series of warnings by defence experts from all

Three senior US experts wrote in the journal Scientific American last month that "the systems built to control Russian nuclear weapons are now crumbling" because of poor morale and training in the ing Deadly Conflict. The report Strategic Rocket Forces and the failure of radar systems that detect incoming missiles.

parts of the political spectrum This highlighted the risks posed that the US administration has by the high-alert status of most tors have drawn attention to signs become complacent about a risk US and Russian missiles, which powers to take their weapons off of nuclear explosions which may meant the two superpowers

5,000 nuclear weapons at each arsenal deteriorates. other within half an hour".

General Lee Butler, a former head of the US Strategic Air Command, has suggested removing the guidance mechanisms from nuclear weapons so the decision be increased from 15 minutes to 150 hours. Hawkish US commenta-Russian military doctrine is plac-

remained ready to fire "more than weapons as its conventional

The doors of the arcane and secretive world in which US nuclear policy is formulated were briefly opened this week when senior officials leaked a presidential directive laying out a change time in a nuclear stand-off would in nuclear-weapons doctrine. It is reported to renounce the cold-war theory the US must be able to prevail in a protracted nuclear war, while broadening the pur- NW, Suite 715, Washington DC | first trip to Cuba, President ing increased emphasis on nuclear pose of nuclear weapons to

\$1.6bn over 10 years.

But Mr Broad appeared

less interested in the eco-

nomics than in the broader

significance of his project. It

represented, he said, "the

first time business has ral-

lied together to do some-

Zev Yaroslavsky, chair-

man of the LA board of

supervisors, had a similar

message. Mr Broad, chair-

man of the \$43bn SunAmer-

ica investment group, had

taken on the hall funding

drive "when no one gave it a

chance". The upshot had

been the rebirth of "corpo-

rate involvement on a mean-

thing for the public good".

biological attacks.

Joseph Cirincione of the Henry Stimson Center, a disarmament lobby group, said the directive's cautions tone showed policy was formulated by "mid-level officials from the Reagan era" with little By Pascal Fletcher effort from the Clinton administration to promote new thinking. Preventing Deadly Conflict', availble at 1779, Massachusetts Ave of Pope John Paul II on his

influence, given the reviving

interest in matters cultural

generated by the Getty Cen-

ter, and a reviving feeling of

city optimism last detected

at the time of the 1984 Olym-

This "feel-good" factor was

apparent at a regional eco-

nomic summit last month,

when political, academic and

business leaders collabo-

rated in an unusual pro-

gramme to prepare an action

Jack Keyser, chief econo

plan to bolster job growth.

mist at the Los Angeles Eco

nomic Development Council,

recalled the days before the

recession, when growth and

progress were taken for

pany went under, there was

always another one. Then

after the recession, when the

jobs didn't come so easily, it

was every man for himself.

"No one worried. If a com-

Don't be Scrooge

Six weeks before the arrival Fidel Castro faces the choice of casting himself as either Father Christmas or Scrooge.

The 71-vear-old Cuban leader must decide whether to grant a personal request from the pontiff for the return of Christmas as a national public festival on the communist-ruled Caribbean island.

Cuba stopped officially elebrating Christmas more than two decades acc when its communist rulers decreed the holidays interfered with

work on the strategic sugar Catholic Church leaders are still hoping the Cuban president will accede to the papal request as a goodwill gesture for the pope's visit

on January 21-25. An employee at the ruling Communist party's office of religious affairs said no decision had been taken vet in recent years, oncegovernment and the church have significantly improved

and Christians can celebrate

Christmas in their homes.

But Christmas has remained a normal working and school day in Cuba. In 1995, the authorities banned Christmas trees or decorations from state offices and institutions: las year a session of the Island's National Assembly

was held on Christmas Eve

Now people are realising they have to work together if anything is to happen."

granted.



Scruffy sites will be transformed into monuments to the resurgent city's artistic and sporting pride

A model of the Walt Disney concert hall, stalled for years but now expected to be built after a \$25m Disney donation

World Bank, to help preserve the cultural edifices and traditions of the third world, testify to its good intentions. Progress in the resurrection of the city centre bears witness to the institute's good influence.

Rattling off a tally of the perception into a symbol of cultural and civic recon-The Getty's newly struction works under way announced links with the in LA, Michael Eisner, Walt

Disney chairman, with some justification last week proclaimed the city the "most active" in the US. Mr Eisner was announcing his company's \$25m donation to the fund for the Walt Disney concert hall - a project endowed 10 years ago with \$50m from Walt's widow but until last week shunned by the group - which virtually

assures its completion. Running down the list of corporate sponsors, most joining the project in the past 18 months, Eli Broad, chief fund-raiser over that time, said the new concert hall and nearby sports arena would bring 5m people to the city centre annually. The economic impact of the Disney building alone on down-

age Mr Broad to predict an

ingful scale". Until last week, Disney sat idly by while the hall teetered on the brink of failure with only the car park built. But Mr Eisner's offering brought the total to within 20 per cent of the sum needed to complete the job. and was enough to encour-

inaugural concert in 2001. Disney's marketing Christopher Parkes

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Pilots condemn **Argentine** air safety record

By Ken Warn in Buenos Aires

Safety in Argentina's airspace is "critically defi-American and Caribbean airline pilots meeting in Buenos Aires, following a series of near-collisions and other incidents this year.

The regional meeting of the International Federation of Airline Pilots' Associations (IFALPA) yesterday forwarded the resolution to the federation's annual conference in Montreal in April. Confirmation of "critically deficient" or "Black Star" status, the lowest category in IFALPA's classification system, could prove highly embarrassing for the government of President Carlos Menem and might affect the country's fast-growing tourism industry.

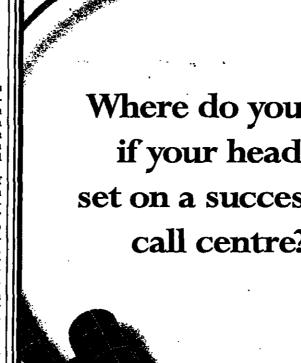
The near-misses and other problems point to alarm bells ringing," said Rob McInnis, IFALPA president. "Something must be done on an urgent basis."

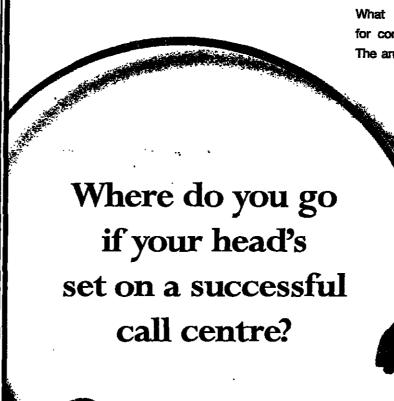
Air traffic control, industry regulation and safety oversight remain under the control of the Argentine military, a source of constant friction with local civilian pilots. This week pilots blamed communications problems with control staff for a near-collision in October between two Brazilian airliners near Ezeiza international airport, the 21st such incident reported this year. Earlier the same month an Austral airline DC-9 crashed in bad weather on a domestic flight, killing all 79 people aboard.

"Argentina should have an independent, competent well funded safety management structure under the charge of safety professionsaid Mr McInnis. "It could be funded from overflight, landing and other fees." At present these revenues are absorbed into the military budget. The air force maintains

that it is spending more on safety and upgrading infrastructure. But pilots complain that when problems arise, the military is more eager to assign blame than to root out structural problems. Industry analysts say morale among air safety professionals is low. The Argentine Airline

Pilots Association yesterday unveiled a confidential reporting system under which pilots and other workers in the industry could report safety problems anonymously without fear of retribution.





for companies setting up telephone-based service centres? The answer is people. Bright, talented, well educated people.

IMF hopes for backing on new loan facility

By Robert Chote Economics Editor. in London

The International Monetary Fund is hoping to win periods and at higher-thanapproval in the next few days for a new lending facilfinancial crises, but some maturities of two to three officials fear developing years. The interest rate countries could block it.

tomorrow and Monday. It will provide a formal arrangement under which the IMF can lend relatively large sums, but over short normal interest rates.

The facility would offer would be between 2 and 4 The IMF board is expected percentage points above the

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about 4.7 per cent. The loans would be available to emerging market countries which are facing capital outflows and crises of confidence, allowing them to replenish their reserves.

There will be no formal ity for countries facing loans on relatively short access limit, relative to a country's quota or shareholding in the Fund.

The IMF management wants the facility in place in to discuss the proposed Sup- IMF's normal lending rate, time for the next disburseplemental Reserve Facility which at present stands at ment of its loan package to

South Korea. The Korean authorities have already agreed in principle to take money under the terms of the new facility.

The facility is expected to win widespread support among IMF directors. It is backed by the Group of Seven industrialised nations a similar fate. and also by the Asian countries that were represented at the recent finance ministers' meeting in Manila, where it was discussed.

maturities means that the the same policy strings facility will need 85 per cent approval by members of the ger-term lending. IMF board. A similar proposal was defeated in the board last year, creating neryousness in some quarters that this scheme could meet

· Other officials argue, howshould meet the objections of opponents to the earlier IMF analysis, Page 11

However, the use of short version. The loans will have attached as the Fund's lon-

They were inspired by the terms which had been imposed on Mexico when Washington lent money following the financial crisis of

An 8 percentage point surever, that the supplementary charge encouraged Mexico to nature of the new facility repay its loans to the US unexpectedly early.

Iran and Arab states differ at Islamic meeting

Sharp differences emerged yesterday between Iran and Arab states over Middle East peace-making and security in the Gulf, as a power blackout and a leaking roof in Iran's new conference centre curtailed proceedings at the summit meeting of the Organisation of the Islamic Conference.

These disagreements centred on the "land-for-peace" formula at the heart of the Middle East peace process; Turkey's military incursion into northern Iraq; protests by the oil-rich Gulf states at Iran's occupation of three Gulf islands claimed by the United Arab Emirates; and Iran's attempts to persuade the Gulf states to withdraw from defence arrangements with the US and instead forge collective security arrangements for this "Islamic sea".

The damage done by snow embarrassment to Iranian Iran's international image. The conference was temporarily moved to the nearby headquarters of the national broadcasting company. While all 55 OIC countries

blame Israel for stalling the peace process, several Arab states including Egypt, Syria and Jordan, and the Palestinian Authority, were by Iran's spiritual leader; hardware.

the land-for-peace formula as a "losing transaction".

Disagreements had also emerged over a draft resolution expressing concern at Moslem states which co-operated militarily with Israel, an implicit reference to Turkey, which this week hosted Yitzhak Mordechai, Israel's defence minister.

Iraq's delegation, led by Taha Yassin Ramadan, deputy prime minister, accused Turkey of this week launching "a new invasion of northern Iraq" with 20,000 troops and armour. The OIC, however, is likely to limit itself to a resolution reaffirming the need to protect Iraq's territorial integrity.

Many delegates were also unhappy about Iran's bid to steamroller OIC resolutions through in "bundles", with Amr Moussa, Egypt's foreign minister, telling his counterparts at the first closed session yesterday he was "sure and heavy rain caused acute none of you have read all 142 of them"

officials, who have sought to John Barham adds from use the summit to improve Ankara: Mr Mordechai ended a successful three-day visit to Turkey yesterday. further strengthening close ties between the region's principal military powers. An Israeli official said the visit, the first to Turkey by an Israeli defence minister. was primarily intended to advance the broader political relationship rather than just unhappy at the description trying to sell Israeli defence

NEWS DIGEST

Zimbabwe tax rises scrapped

Herbert Murerwa, Zimbabwe's finance minister, yeşterday withdrew three tax increases, completing the government's retreat from last month's mini-budget. The 5 per cent surcharge on electricity tariffs was withdrawn immediately while the 2.5 per cent rise in sales tax to 17.5 per cent will be cancelled from January 1, as will higher fuel taxes announced a fortnight ago.

The climbdown follows Tuesday's successful strike organised by the Zimbabwe Congress of Trade Unions against the tax increases and the formal withdrawal of two other taxes - the 5 per cent surcharge on personal and corporate income tax. The taxes were raised last month to pay for the Z\$4bn (\$167m) compensation pack-

The withdrawal of the taxes increases the budget deficit to an estimated 11 per cent of GDP from the 8 per cent forecast in the budget in July. Tony Hawkins, Zimbabwe

■ EDUCATION

Governments 'must try harder'

Governments still have a long way to go in modernising education structures to meet the demanding challenges of the next century, according to the Organisation for Economic Co-operation and Development.

The latest international indicators from the OECD's 29 member countries show that, while most young people's attainment is improving, there are a minority whose education is a failure.

The OECD says: "Social cohesion rather than narrow economic gain is the greatest prize for societies in which all citizens use learning to become more effective partici-

pants in democratic, civil and economic processes. While in some OECD countries, more than 80 per cent of the population aged 25 to 64 have completed at least upper secondary education, the proportion is less than 50 per cent in Greece, Ireland, Italy, Luxembourg, Portugal, Andrew Bolger, London Spain and Turkey.

■ JERUSALEM

Israel to outlaw census

The Israeli parliament was last night set to pass legislation to prevent the Palestinian Authority from holding a census in east Jerusalem.The proposed amendments to a 1994 law seek to restrict "meetings and activities" by the PA to areas under its sovereignty. It also added that the PA could not carry out activities that affected someone else's sovereignty, implying the whole of Jerusalem was part of Israel's sovereignty. Judy Dempsey, Jerusalem

Albright meets rebel leader

In one of the strongest signals to date of Washington's support for Sudanese groups battling the Islamic govern-ment in Khartoum, Madeleine Albright, the US secretary of state, yesterday met John Garang, head of the main rebel organisation.

The meeting in Uganda, with Mr Garang and other members of the National Democratic Alliance, an ambrella opposition group, will give Mr Garang's Sudan People's Liberation Army, which has enjoyed a string of military successes this year, a psychological boost.

Mrs Albright said her intention was to show high-level support for efforts to change Sudan's murderous ways. Washington has long accused the National Islamic Front of exporting terrorism. Michela Wrong, Nairobi

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being destroyed at soil is exhausted the rate of thousands of trees a minute, how can planting

just a handful of seedlings make a difference? A WWF - World Wide Fund For Nature tree nursery addresses some of the problems facing people that can force them to chop down trees.

Where hunger or poverty is the underlying cause of deforestation, we can provide fruit trees.

The villagers of Mugunga, Zaire, for example, eat papaya and mangoes from WWF trees. And rather than having to sell timber to buy other food, they can now sell the surplus fruit their nursery produces.

Where trees are chopped down for firewood, WWF and the local people can protect them by planting fast-growing varieties to form a renewable fuel source.

This is particularly valuable in the Impenetrable Forest, Uganda, where indigenous hardwoods take two hundred years to mature. The Markhamia lotea trees planted by WWF and local villages can be harvested within five or six years of planting.

Where trees are chopped down to be used for construction, as in Panama and Pakistan, we supply other species that are fast-growing and easily replaced. These tree nurseries are just part of the work we

do with the people of the tropical forests.

WWF sponsors students from developing countries on an agroforestry course at UPAZ University in Costa Rica, where WWF provides technical advice on growing vegetable and grain crops.

very quickly by "slash and burn" farming methods. New tracts of tropical forest would then have to be cleared every two or three years. This unnecessary destruction can be prevented by

For a free (

FT Finance

combining modern techniques with traditional practices so that the same plot of land can be used to produce crops over and over again. In La Planada, Colombia, our experimental farm

demonstrates how these techniques can be used to grow a family's food on a small four hectare plot. (Instead of clearing the usual ten hectares of forest.) WWF fieldworkers are now involved in over 100

tropical forest projects in 45 countries around the world. The idea behind all of this work is that the use of natural resources should be sustainable.

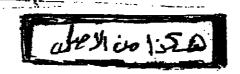
WWF is calling for the rate of deforestation in the tropics to be halved by 1995, and for there to be no net deforestation by the end of the century.

Write to the Membership Officer at the address below to find out how you can help us ensure that this generation does not continue to steal nature's capital from the next. It could be with a donation, or, appropriately enough, a legacy.



WWF World Wide Fund For Nature International Secretariat, 1196 Gland, Switzerland.

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See ...

HILDRY,

State grant to LG to be probed

By Juliette Jowit in Cardiff

A £247m (\$413m) state grant paid to South Korean electronics giant LG is to be investigated by a spending from a senior Labour MP.

The grant was a contribution towards the company's £1.7bn investment in two electronics factories in south Wales, which together will be the biggest inward investment project in Europe.

John Bourn, the comptroller and auditor general, is a

Korean industrial giant Hyundai may have to delay for up to a year the opening of a computer chip factory in Scotland, Locate in Scotland said yesterday. As reported by the Financial Times in November, the government agency said there would "be some delay in equipping and commissionwatchdog after a complaint ing" Phase One of the Dunfermline plant which is due to

> "It would now appear that the disruption to the Korean economy is so severe that Hyundai, like many other companies, is re-assessing its short-term programme," said Don-ald Dewar, UK government chief minister for Scotland.

committee, whose Tyne- leader, who was chief minismouth district in north-east ter for Wales in John Major's The investigation by Sir England had hoped to win government. In that role, he the LG project.

A full investigation by the factories with LG. response to a letter from committee would be likely to Alan Campbell, a Labour include the questioning of points made by Mr Campbell member of the House of William Hague, the opposi- in his correspondence, that Commons public accounts tion Conservative party would involve us visiting."

"We are looking into the

led negotiations about the

day. "It depends on what we attract job-creating projects find as to whether we report our findings to Mr Campbell or there are some other to LG from the Welsh Develissues which should be reported to Parliament." The revelation could cast a

cloud over the expected announcement on Monday of a 1,000-job investment project by Taiwanese computer firm Acer in Cardiff, the Welsh capital. That has also been criticised by rival bidders at the Northern Development Corporation in England.

Mr Campbell's letter followed complaints by north-east England develop-ment chiefs about "unfair"

Sir John's office said yester- levels of funding available to attract job-creating projects to Wales. He demanded an may rise inquiry into the £247m grant opment Agency, which was £167m more than that offered by its northern England rivals.

The Weish Development Agency yesterday sought to play down the latest development, stressing that Sir John's move was entirely a routine response to Mr Campbell's correspondence.

The WDA has kept a low profile during the continuing debate over its funding, rejecting claims that it has

deliberately break the rules.

use public money to support

the WDA's international

expansion, where a company

is growing and for whatever

reason, either through skills

do it where they are. Those

are the opportunities one

One weakness in the pros-

companies that have actu-

ally moved away - certainly

not simply by transferring

jobs. The English regions

legislating against "poach-

ing" attempts, but want offi-

cial recognition that it hap-

pens and should be investigated. They also want

more money, which they see

as the key to the proactive

Michael Bourke, director

line in Wales and Scotland.

ecognise the difficulty in

can pursue.

"Where the opportunities

Nissan output by 50% after 2000

sharply next year.

• Ryobi, the Japanese car parts manufacturer, is to invest £27.8m (\$46.4m) expanding its Northern Ireland die castings factory. Ryobi will be Northern Ireland's largest Japanese "I don't think they are company, with total investdoing themselves any ment of £60m. The company Office, is often portrayed as favours," he says. "They is to receive a £2.8m grant Development Board.

Nissan expects the rapid rise in car output at its factory near the northern England city of Sunderland to slow Production hit a record of

271,000 cars this year and is expected to remain unchanged next year as the European car market stagnates. But Nissan expects a big boost to output early in the next century when the replacement for the Almera goes into production. It could lift output at Sunderland to 400,000 cars a year.

Production prospects have been boosted, according to Nissan's European execu-"It's contrary to the rules to tives, because the parent company in Japan has accepted that the Almera's a company moving from replacement must have a place to place," said James considerably greater Euro-Turner, managing director of pean design and styling

The Sunderland-built exist will be in relation to Primera was widely criticised for its blandness when launched last year. It is produced alongside the Micra. Nissan's six-year-old superavailable or lack of land or mini, which is also due for a property, they want to expand their site and can't facelift next year.

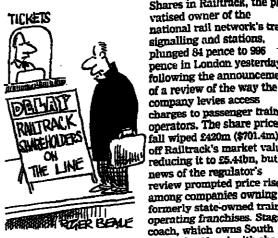
Nissan's confidence in the future of its UK operations was expressed vesterday just a day after Toyota, Japan's ecution argument is that no biggest carmaker, said it planned to construct a secexamples can be found of ond European plant at Valenciennes in Northern France rather than expand existing plant at Burnaston in the English Midlands.

In a recent study by the Economist Intelligence Unit, Toyota's Burnaston factory was ranked third in European productivity terms behind Nissan's Sunderland plant and General Motors' Eisenach plant in Germany, with Honda's English facility of Swansea Bay Partnership fourth.

in south Wales - financed by the WDA and local councils pany to move to south Wales Companies which have at local councils and other the arch-wizard of such keep making these accusa- from the UK government's

UK NEWS DIGEST

\$700m wiped off Railtrack



Shares in Railtrack, the privatised owner of the national rail network's track signalling and stations, plunged 84 pence to 996 pence in London yesterday following the announcement of a review of the way the company levies access charges to passenger train operators. The share price fall wiped £420m (\$701.4m) off Railtrack's market value reducing it to £5.44bn, but news of the regulator's review prompted price rises among companies owning formerly state-owned train operating franchises. Stage-

West Trains, rose 8½p to 785p while Go-Ahead with shares in two franchises rose 5%p to 529p. The review, which will be carried out by John Swift, rail regulator, will look at the way Railtrack accounts for property profits, at who benefits from any savings on track maintenance costs and at what is an acceptable overall rate of return. Passenger train operators provide 90 per cent of Railtrack's revenues, a total of £1.23bn in the six months to September. It made a pre-tax profit of £190m. Mr Swift said that his aim was to establish a framework "which provides challenging targets for future efficiency and for improvements in network performance and capability." Gerald Corbett, Railtrack chief executive, said "The regulator has a duty not to make it unduly difficult for Railtrack to finance its Charles Batchelor, London

■ TELEVISION SPONSORSHIP

Toyota signs five-year ITV deal

Toyota, the Japanese carmaker, has reached an agree ment to sponsor all available programmes on the ITV terrestrial commercial television network on December 31 and January 1 in each of the next five years. The first stage of the £18m (\$30m) deal will begin on December 31 this year as Toyota's new family car, the Avensis, begins a sponsorship of 19 programmes, running over 33 hours mtil midnight on January 1.

It will not include programmes which already have a egular sponsor, and programmes that broadcasting regulations do not allow to be sponsored, such as the news. The agreement is the first time a single UK television sponsor has agreed to put money behind a run of programming, instead of choosing an individual programme or series that matches its brands.

John Hardie, marketing and commercial director at ITV, said the sponsorship was "the most diverse, largest and longest future investment ever negotiated by any UK network, satellite or terrestrial. Alison Smith, London

■ CENTRAL BANK

Difference of opinion on rates

Speculation that some members of the Bank of England's monetary policy committee may have voted against November's rise in interest rates proved to be unfounded yesterday, but the minutes of the committee's deliberations indicate clear differences of opinion. The institution is the UK central bank.

The minutes show that the seven members of the committee voted unanimously to raise rates by a quarterpoint to 7.25 per cent on 6 November. But they also indicate three strands of argument: one for no change, a second for a precautionary increase and a third for an increase in the expectation of more to follow.

"Presumably, the three views each reflect one or more members of the committee," said Michael Saunders, at Salomon Smith Barney, "The chances are that the agreement to hike by a quarter-point was a compromise, probably with the aim of keeping unanimity as much as

■ COAL MINING

Blair promises deal over closures

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Tony Blair yesterday made a surprise intervention in the coal crisis, promising a deal between the big three privatised generators and RJB Mining, Britain's biggest coal miner, that will forestall pit closures and redundancies for six months.

The prime minister said this would also give the government time to "consider the role of coal could play in meeting Britain's future energy requirements" and give the coal industry time to look at ways of improving its competitiveness

RJB welcomed the prime minister's statement as a constructive step forward and removes the threat to pits and jobs", but the generators were left divided and bewil-

National Power, the biggest generator and the one that has contracted to buy the most coal from RJB, said it had done all it could. "We have done a big deal [18m tonnes over three years] with RJB - that is fair." the company

PowerGen, which has signed no agreement with RJB and is seen as the source of the miner's difficulties, welcomed the announcement. Ed Wallis, chief executive, said: "The government has recognised that competition policy is no energy policy".

PowerGen, whose 9m tonne contract with RJB expires next March, said it was still looking for competitively priced coal. Simon Holberton; David Wighton, London

Regions fear development poachers

Local skirmishes echo big inward investment battles, Juliette Jowit writes

ome regional development bosses claim that companies in their areas are being wooed away with offers of grants, land, premises and wage subsidies sometimes against the rules, but more often, they say in subtle manipulation of the guidelines.

These local battles are being fought against a background of the more public struggle among Scottish, Welsh and English regions about big investment projects. The targets of such criticism include organisations in north-east England, and especially the many development agencies in Wales. They all deny that they are doing anything more than legitimately marnies with an interest in expanding operations.

Ken Martin, head of Devon and Cornwall Development International (DCDI), an offshoot of the Invest in Britain Bureau, has cited 10 examples of companies which to have been approached by rival areas, sometimes by more than one. His claims were made to a recent House of Commons trade and industry committee investigation of the investment dispute.

The 10 included US toolmaker Gleasons, which employs 300 people in Plymouth, Devon, and the privately owned Fitzgerald Lighting, which employs UK operations to Wales. nearly 600 staff in Cornwall England regions, particu- include Nelson Stokes, believes that such bodies are insists that it would never with a name."

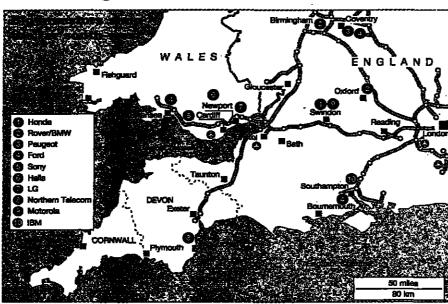
By Our Banking Editor

The Bank of England yesterday

ways would be found to allow

them to make full use of the Tar-

their access to short-term liquidity borrowing from the European Cen-



larly Cornwall, have suffered growing unemployment from the loss of traditional industries such as mining and fishing, and now rely beavily on the tourism and holiday sector. Unnamed complainants

cited by Mr Martin included an electronics company asked to move to Newport to supply the £1.7bn (£2.8bn) development by LG of Korea, and a US company looking to expand in the UK which claims it was offered a pack-

moved to reassure UK banks that that banks from countries outside

get euro payment system even if as those from Emu countries.

which makes hydraulic used as a brakes in north Cornwall, and A.E Rodda, which makes traditional Cornish dairy products. Nelson Stokes said early this year that it had been approached by agencies in Wales and north-east England while Rodda said last year it had been approached by two development agencies in

Evidence of such "poaching" attempts is mostly anecdotal, following telephone age which could have meant calls, with the accusing finclosing its site in south-west ger pointed sometimes England and moving all its vaguely at "the Welsh", sometimes more specifically For some years, West of themselves complained small agencies. Mr Martin activities. But the agency tions, but never come up Northern Ireland Industrial

"convenient smokescreen" to seek out potential investors and then channel through financial aid or sites from the Welsh Development Agency. The mailshots, cold calls

and allegedly more focused attempts to lure companies away from Devon and Cornwall make it obvious that regulating such activities is fraught with difficulties. The and cited by DCDI for allegline between advertising edly asking a leisure comopportunities and "poaching" jobs is hazy at best. The Welsh Development the English regions.

Agency, financed through the government's Welsh

Banks given assurance over payments in euro era

operate by totting up the transfers receive payments. Ranks therefore need a supply of other during the day and then set- intraday credit to smooth out the expect the same access to liquidity tling up the net figure at the end. peaks and troughs in their pay-In Target and other real-time ments. But if the ECB does not However, the Bank yesterday payment systems, however, trans-supply that credit, "out" banks Bank of England could provide listed arrangements which would fers are made instantly, so a bank could queue their payments so liquidity from its own euro allow UK banks to make use of can see its balances rise or fall that outbound euro payments were

The Bank is still fighting a rear- Target without ECB liquidity. sharply during the day, depending not handed over until they had guard action against central banks. Many national payment systems on when it happens to make or received any inbound payments they were expecting from other banks inside the Emu area. Alternatively, banks could bor-

row euro liquidity through branches in the euro area, or the

Regulators to track computer 'bomb' readiness

banks make to and from each

Financial regulators intend to track firms' preparedness for the "millennium bomb" - the problem of some computers' inability to distinguish between the 19th and 20th centuries - and will intervene where necessary to protect investors or market integrity. Howard Financial Services Authoris the integrated regulator of ness collapse."

in mainland Europe which argue

European Monetary Union cannot

the City of London. He said that institutions saw the issue as a regulatory which failed to prepare for matter. the millennium faced disas- "Each ter. Among likely consequences, he said that invesunable to access their money and assets.

"It could involve non-completions of deals, market disruption, loss or degradation of customer records and Mr Davies made it clear he

"Each of the organisations within the FSA system is quences, he said that inves-tors or depositors might be the firms it regulates." he

> "Our consistent mess to firms in the financial sector is that they should all by now have a compliance project in place which allocates

ity, said yesterday. The FSA even, in the extreme, busi- executive responsibility, failures in the first weeks of the board and furnishes the necessary resources." Meanwhile, Professor Mike

Smith of St Bartholomew's Hospital in London warned at a London conference organised by Taskforce 2000, the government-sponsored body charged with raising awareness of the problem, that as many as 1.500 hospi-tal patients could die as a 2000 problem on the state direct result of computer

requires regular reports to the year 2000. Prof Smith, an expert in both computing and health issues, said that by comparison there were 20 deaths allegedly resulting from the London Ambulance Service computer breakdown in 1992 which lasted for three days and affected only

London. Prof Smith said a detailed health service showed that

being "astonishingly compla-cent" or "showing a total misunderstanding" of the

Prof Smith's study showed that most healthcare organisations would not achieve even modest protection from the year 2000 problem. The cost for the health service alone was likely to reach £500m (\$835m) - but most trusts had not made any

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'Loyalists' restive about Ireland talks

Chief Political

Concern is growing in Ireland that the British government's focus on measures to build nationalist confidence about the peace process are putting intense strain on the three year old ceasefire by Protestant "loy-

Officials involved in the peace process point to what they call "gesture politics." They cite high-profile announcements of withdrawals of British troops and an end to a requirement of police recruits to swear an oath of allegiance to the

The new direction of UK policy will be demonstrated today with the first visit to minister, for more than 70 years by a Sinn Féin delega-



Hardline members of the Protestant Orange Order, which has branches in the US and Canada, stage a protest at its headquarters in their traditional orange-coloured regalia

10 Downing Street, London meeting was not a concesresidence of the UK prime sion to violence. "If they return to violence, they will go out of the [multi-party] tion. It will be led by Gerry talks," he said. As Sinn Féin

Tony Blair, the prime min- Mitchell principles of non-vi- Martin Ferris, a convicted ister, said in the House of olence it was "absolutely former gunrunner, is expec-Commons yesterday that the essential" to treat them in ted to have an hour of talks the same way as other par-

The seven-strong Sinn edge that Sinn Féin will Féin group, which includes extract maximum propa-Martin McGuinness, the par- ganda advantage from the

with Mr Blair.

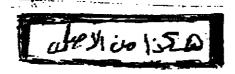
Mr Blair's aides acknowl-Adams, the party president. had last year agreed to the ty's chief negotiator, and meeting. However, they say

the same rights and access as other parties in the negotiations for a constitutional settlement for Ulster.

Meanwhile, anxiety was reinforced by a sit in yester day by some members of the Protestant Orange Order, who occupied its Belfast headquarters and forced its half-yearly meeting to be moved. Up to 100 members of the order's hardline Spirit of Drumcree faction took over the House of Orange.

The group is opposed to the re-routing of traditional parades through city streets. as happened several times last summer. They want Robert Saulters, grand master of the Orange Order, replaced as they consider

him too moderate. Jeffrey Donaldson, the Ulster Unionist party MP and retiring deputy grand master of the order, warned of a "very serious split."



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Growing into the Bond role

Cinema/Nigel Andrews

TOMORROW **NEVER DIES** Roger Spottiswoode

A FURTHER GESTURE Robert Dornhelm

I KNOW WHAT YOU DID LAST SUMMER Jim Gillespie

PERSONS UNKNOWN George Hickenlooper

he new James

Bond enterprise comes with an intriguing plot. A group of media masterminds bent on world dominance rock the money markets with an explosive overspend. Calamities unspool, major and minor. The project director fights with the "ideas man"; a top woman employee bursts into tears when handed a radical new work-brief; and two key players, male and female, quarrel publicly. She accuses his beard stubble of scraping her face, he slags her off for charmlessness in the press.

And all this is only off the screen. That the problem-riddled Tomorrow Never Dies ing the essentials: smugness, ever reached cinemas, we owe to the Broccoli empire's perfectly groomed superficidetermination not to let a ality. He gained 20 pounds cash cow expire before it for the role - pounds weight comes to market - or even not pounds sterling, which to look as if it might have. The cow here is a brindled thing, part bad part good. But it moves like merry thunder. This cow could win

ncest is not a new theme in

plays (or novels, or operas, or

films). It is, however, still so

infrequent that, in watching

the brother-sister incest of Rich-

ard Nelson's new play, Goodnight

of literary drama that places itself

knowingly in some kind of incest

canon, Still, in both cases, the

ous depictions of the subject.

the Grand National by several lengths and a hedge. We know we are safe right from the pre-credits sequence. Pierce Brosnan's

Bond (he with the stubble that troubled lead actress Teri Hatcher) is at a terrorist boot sale somewhere in ex-USSR and must hijack a warhead-carrying fighter plane as NATO prepares to bombcrash the party. The suspense is agonistng. Never mind NATO. We know there are only a few precious, ticking minutes before the Shirley Bassey soundalike will launch into the title song ("To-moh-rrow nev-ahh die ies") while computer graphic nudes go whirly all over the

Thereafter it is cars, bedrooms, explosions and double entendres, in no particular order. And there is Jonathan Pryce in fine form as a world media tycoon, a sort of Rupert Murdoch with extra madness. His character's self-appointed mission is to provoke war between China and Britain, for reasons I understood at the time but am a little hazy about now. The Bond films stuttered

into ordinariness in the late 1980s, when Timothy Dalton rashly tried to play him as a human being. Brosnan, improving on his own dullish start, is now accumulatsmartness and an ear-to-ear, were £5m - and he fills out the suits. He also has the right style when telling a Danish lover "I always enjoy studying a new tongue,"



Perfectly groomed superficiality: Pierce Brosnan as 007 with Cecifie Thomsen in 'Tomorrow Never Dies'

which leads to Ms Moneypenny's comment during a simultaneous phone call, You always were a cunning linguist, James."

The remote-control BMW, the car chase through downtown Saigon and the pyrotechnical climax in Pryce's billion-dollar armoured houseboat, with fine views of the South China Sea and the end of the world, are all good value. Director Roger Spottiswoode - he who tangled with screenwriter Bruce Feirstein, first firing then rehiring him - earned his action licence by editing for Peckinpah and directing Under Fire: he is clearly the man for the 007 job.

My only quibble concerns the supporting stalwarts. "M", when played by that fine walking head-cold Bernard Lee, used to have a whole briefing scene to himself. Here Dame Judi Dench

must lob guerrilla one-liners breaker who risks blowing from a standing position in op rooms. (No wonder she was upset when even these were changed). And Desmond Llewellyn's Q surely demands more than a tiny cameo. Here, he barely has time to list the BMW's rockets, smashproof windows, high-volt electrified body-

pad and, we trust, cigarette lighter and AM/FM radio. A Further Gesture is an odd title: the phrase often completes itself with "would be futile." This is true, alas, of Channel Four's weakly conceived political drama. Stephen Rea, credited with the story idea that inspired

script, wears his most lugu-

brious basset-hound look as

the New York-fled IRA jail-

work, metal spikes to punc-

ture enemy tyres, satellite

downloader, nuclear touch-Ronan (Face) Bennett's

his cover by helping a Guatemalan woman's revenge mission against a compatriot torturer. Ergo: it is a tale of two

paramilitarisms. It is also a gauchely internationalist film aimed at pleasing every art-and-agitprop market in sight. Directed by an Austro-Romanian (Robert Dornhelm of Requiem For Dominic), its credits read like a who-thehell-is-who of global cinema. Britain's Alfred Molina plays a fellow Hispanic to Rosana Pastor's heroine, while a Polisb cinematographer, Japanese editor and German producer help to complete the multicultural hell. Unsurprisingly, the film has no sense of belonging to any reality beyond the camera's

Christmas movies are wonderful things. If you think

your children would be illserved by a tale of urban guerrillas, there is always I Know What You Did Last Summer. Here they can watch a group of high-school teenagers chased, terrorised and eviscerated by a mad, possibly dead fisherman.

won't stay dead?" is the

opening question in the

film's publicity notes. The

answer is yes, and twice in

one press-show day this

week. In Persons Unknown,

another pre-Christmas offer

ing from the seasonally

insensitive an entire movie

is deceased but refuses to lie

down. Joe Mantegna, Kelly

Lynch and J.T. Walsh, low-

lifers living on the edge of

the law, chase each other all

over America's high sierras

without once indicating why

There are guns, knives

stolen money, cattle prods

and runaway wheelchairs.

with little rhyme and less

reason to any of them.

George (Hearts, Of Darkness)

low angles, bits of slow

ting - makes trash doubly

insulting by packaging it

Hickenlooper's direction -

motion, Roeg-ish intercut-

we should care.

Kevin Williamson, who scripted the praised horror film Scream, penned this tale of blood and vengeance. Scottish television's Jim Gillespie directs with minimal flair. These hack-and-slash films were high fashion in the late 1970s/early 80s, when Halloween became an annual weekend for masked maniacs and the Friday the 13th series spiralled into double figures. Today, though, in the age of Luxor and other enormities, we may feel we get enough of it at home.

"Ever have a body that as art.

Theatre Less mythic than corny

t is hard to believe that John B. Keane's first play is nearly 40 years old now: it seems much, much older, Although Size is set in the Ireland of the late 1950s, Keane's heightened, poetic diction owes a good deal to Yeats. his cast of quaint Irish types seem to have their roots in Synge, or even the bogtrotting comedies of Dion Boucicault, while the plot is pure folktale: Sive (it rhymes with "thrive"), an orphan who lives with her uncle and his wife, is to be forced into marriage with a much older man; but her lover, her grandmother and a pair of tinkers plot to save her.

en Barnes, director of this co-production between the Tricycle and the Watford Palace, notes that in earlier productions of Keane's plays he sought to bring out the realism and social comment they contain. The apparent fustiness of Sive is deliberate, a means of drawing attention to the clash of old and new worlds that rural Ireland was witnessing at the time. Sive is illegitimate and well educated, neither of them qualities likely to enhance her prospects; and the countryside, just beginning to see the first glimpses of prosperity, is still haunted by the Great Hunger. Sive is always within a short step of the modern world and the promise of happiness with her young lover, but is pulled down by a tangle of greed and tradition.

For this production, however, Barnes eschews realism to "unleash the elemental and mythical dimension of Sive". Unfortunately, this village Romeo and Juliet emerges here as less mythic than corny, the characters clichés rather than archetypes: the villainous local matchmaker has a game leg to match his deformed character; the uncle is a decent man who would like to do the right thing, but is browbeaten by his shrew of a wife: the tinkers are twinkly rpes, singing japut: curses. The characters speak in a high-flown rhetoric -"Never!" vows the uncle, when marriage to the old man is proposed, "If the sun, moon and stars rained down out of the beaven and split the earth!" - which quickly starts to sound ristble. Even the tinkers' curse ("May the spail devour his corse") one of the highpoints of the evening. becomes tedious the third or fourth time around.

At least Keane's peasant rhetoric is heartfelt and authentically Irish - in comparison, the faked, ironic Irishness of Martin McDonagh's more recent plays looks tawdry. This is not an uneniovable evening: but it is never an affecting one.

Robert Hanks

At the Tricycle Theatre,

Theatre/Alastair Macaulay

Family attractions

Children Everynohere, it is very easy to recall some of the previhis early 50s, but is also far gone Since this play is being presin pregnancy. And they all live in ented by the Royal Shakespeare the same flat. There is plenty else Company, one naturally thinks of going on. Hugh has, we learn, a girlfriend on the side himself; Vi 'Tis Pity She's a Whore. But anyis a wannabe actress who has one who knows Wagner's Die built up quite a bit of sexual exne-Walkitre will remember that yet more. Both that opera and Nelrience: Betty is a faintly hysterical virgin with a crush on Hugh. son's play show, very precisely, how incestuous attraction com-As for Ann, she fully undermences between a young married stands the complexity of the woman and the brother she has attraction she feels to her brother. not seen for years. This resemhe is the baby she once helped to blance between these otherwise bathe and a counterpart to the dissimilar works may be accidenbaby in her womb, he is the beloved little brother from whom tal; Nelson's play is not the kind she has long been sundered, and -

now that he has returned in virile

manhood - he is also even the

incestuous desire is, from the father who, during the war, died and left them all orphans. first, also adulterous; and it arises Peter himself says remarkably - instinctively, unstoppably, touchingly - from the separation little. Indeed, he is often remarkably passive, a sweetie who is of orphan siblings since childinclined to do what his sisters tell The year is 1945. Peter, now him to do. But, unlike each of them, he is never in denial about aged 17, returns from evacuation his feelings. And the most affectin Canada to his three sisters. ing feature of Ian Brown's RSC Betty is 21. Vi is 19, and neither is

married; Ann. who is 20, is not production is the performance

gives as Peter. Vulnerable, huggable, impulsive, he is the baby brother of everyone's dreams, and the Oedipal part of his feeling for Ann is perfectly transparent. There is one scene in which Ann their girlish excitability. Cathryn talks and talks and talks to him. her thoughts bouncing this way and that, and what one hangs on is Scardifield, who just listens and watches her. When she advances towards him, he sits up, as if drawn to a magnet; when she turns away, he sinks back; but his eyes are always on her, and the steadiness of his emotion is the anchor of the scene.

round this clear core, the rest of Nelson's play seems subtle but unfocused. There is intelligent and sensitive writing everywhere, but it takes a long time till the play seems of much consequence: interesting if you're interested in historical fiction about families reunited after evacuation. you think. And, though Hugh, Betty, and Vi each have telling

Nelson keeps shunting them offstage at regular intervals to concentrate on his main theme. Ian Brown has cast Peter's three

sisters deliberately to emphasise Bradshaw is Ann. Sara Markland is Betty, and Robin Weaver is Vi; the degree to which these children are still orphans and scarred by childhood - important in Nelson's text - could not be more obvious. Bradshaw's artless sweetness and Weaver's wry humour are both welcome, but the nursery climate is sometimes wearlsome.

Eventually, however, it is the point. In the final scene, as Nelson's play starts to move on beyond incest, it becomes affectingly clear that its real point is the degree to which these adults, reunited in their childhood home, still feel like orphaned children.

In RSC repertory at The Other Place Straiford-upon-Avon, Sponsored by RSC Platinum Corporate



London NW6 to January 17



■ AMSTERDAM

EXHIBITIONS Stedelijk Museu Tel: 31-20-5732911 www.stedelijk.ni Gabriel Orozco: Recordings and Drawings. Display of recent video works by the Mexican artist, filmed in New York and Amsterdam; to Dec 14

OPERA Netherlands Opera, Het Muziektheater Tel: 31-20-551 8911 Dialogues des Carmélites: by Poulenc. New production conducted by Yves Abel in a staging by Robert Carsen. Cast includes Joan Rodgers and Sheri Greenawald; Dec 13

BERLIN CONCERTS Deutsche Oper Tel: 49-30-34384-01 Carmine Burana: by Orff. Conducted by Rafael Frühbeck de Burgos. With the Clemencic Consort conducted by René Ciemencic: Dec 14

Philharmonie Tel: 49-30-2548 8354 Berlin Philharmonic Orchestra: conducted by Claudo Abbado in works by Wagner, Schumann and Beethoven; Dec 12, 13, 14 DANCE

Deutsche Oper

Tel: 49-30-34384-01

Deutsche Oper Ballet: Rosalinde, choreographed by Ronald Hynd to music by J. Strauss; Dec 11 OPERA Deutsche Oper Tel: 49-30-34384-01 Die Zauberfiöte: by Mozart. Staged by Günter Krämer, with

sets and costumes by Andreas Reinhardt; Dec 12 Hänsel und Gretel: bv Humperdinck. Conducted by Olaf Henzold in a staging by Andreas Homoki: Dec 13 BOLOGNA

OPERA Teatro Comunale Tel: 39-51-529 999 www.nettuno.it/bo/ teatrocomunale Turandot: by Puccini. Revival conducted by Daniele Gattl in a staging by Hugo de Ana; Dec 11

CHICAGO

OPERA Lyric Opera of Chicago Tel: 1-312-332 2244 www.lyricopera.org Amistad: world premiere of

Anthony Davis's new work about the 19th century anti-slavery campaign. Dennis Russell Davies conducts a production by George C. Woolfe; Dec 11

■ EDINBURGH EXHIBITIONS

Scottish National Portrait Tel: 44-131-624 6200 Portraits of Excellence: a series of photographs of distinguished academics at the University of Edinburgh, commissioned according to an 18th century University tradition; to Feb 1

LONDON **EXHIBITIONS** Barbican Centre

Tel: 44-171-638 8891 Don McCuitin – Sleeping With Ghosts: major retrospective of work by the photo-journalist which spans his career from 1959 to the present. Includes prints drawn from the major news stories he covered, and more recent still lites and landscapes; to Dec 14 James Ensor 1860-1949: more than 140 works by Belgium's foremost expressionist artist. Includes early studies of Ostend, portraits of the artist's family and friends, and the carnival paintings for which he is best known; to Dec 14

OPERA

Shaftesbury Theatre Tel: 44-171-379 5399 The Royal Opera: Paul Buriyan, by Britten, New production

staged by Francesca Zambello and conducted by Richard Hickox; Dec 11, 13, 15

■ LOS ANGELES

CONCERTS **Dorothy Chandler Pavilion** Tel: 1-213-365 3500 Los Angeles Philharmonic: conducted by Esa-Pekka Salonen in works by Ravel. Britten and Debussy. With soprano Sylvia McNair and the Los Angeles Master Chorale; Dec 11, 13, 14

■ MANCHESTER CONCERTS Bridgewater Hall Tel: 44-161-907 9000

Tosca: by Puccini. Concert performance given by the Hallé Orchestra and the European Orchestra in their first collaboration. Kent Nagano conducts; Dec 11, 14 MILAN

OPERA Teatro alia Şçala

Tel: 39-2-88791 Macbeth; by Verdi, Conducted by Riccardo Muti In a staging by Graham Vick, with designs by Maria Biomson. Casts vary; look out for Maria Gulechina and Roberto Alagna; Dec 13

NEW YORK **CONCERTS** Lincoln Center Tel: 1-212-721 6500

www.lincolncenter.org

New York Philharmonic: conducted by Kurt Masur in works by Serocki, Bacewicz, Rimsky/Korsakov and Dvorák With frombone soloist Joseph Alessi; Avery Fisher Hall; Dec 11, 12

DANCE New York City Ballet, New York State Theater Tel: 1-212-870 5570 George Balanchine's The Nutcracker, Dec 11, 12,

OPERA

Metropolitan Opera, Lincoln Center Tel: 1-212-362 6000 www.metopera.org The Rake's Progress: by Stravinsky. New production by Jonathan Miller, conducted by James Levine. Cast includes

■ PARIS **CONCERTS** Salle Pleyel Tel: 33-1-4561 6589

Upshaw; Dec 11

Samuel Ramey and Dawn

Orchestre de Paris: conducted by Wolfgang Sawallisch in works by Beethoven. With plano soloist Radu Lupu, soprano Luba Orgonesova, mezzo-soprano Marianne Roerholm, tenor Herbert Lippert, bass René Pape. Choir led by Arthur Oldham; Dec 11. 13

OPERA Opéra National de Paris, Opéra Tel: 33-1-4473 1300

Der Rosenkavalier: by Strauss, New production conducted by Edo de Waart in a staging by Herbert Wernicke, Cast includes Renée Fleming, Susan Graham and Barbara Bonney; Dec 11, 14

Opéra National de Paris, Palais Garnier Tel: 33-1-43439696

The Merry Widow: by Franz Lehár, Armin Jordan conducts a new production directed by Jorge Lavelli, with sets by Antonio Lagarto; Dec 11, 14

Théâtre des Champs Elysées Tel: 33-1-49525050 Fidelio: by Beethoven. Production staged by Patrice Caurier and Moshe Leiser, with the Orchestre des Champs-Elysées and the Choir of the Welsh National Opera. Conducted by Louis Langree; Dec 12

 Leonore: by Beethoven. Production staged by Patrice Caurier and Moshe Leiser, and conducted by Louis Langrée. With the Orchestre des Champs-Elysées and the Choir of the Welsh National Opera; Dec

■ TOKYO EXHIBITIONS

Museum of Contemporary Art Tel: 81-3-5245 4111 Loans from the Centre Georges Pompidou: selection of 127 works from the Musée National d'Art Moderne in Paris, on Ioan while it is refurbished. Artists represented include Matisse Chagall, Picasso and Tinguely; to **Dec 14**

■ VIENNA EXHIBITIONS

Kunsthistorisches Museum Tel: 43-1-525240 Pieter Brueghel and Jan Brueghel: comprehensive survey of the art of the two sons of Pieter Brueghel the Elder. Includes around 130 paintings and 20 works on paper by Jan Brueghel the Elder (1568-1625) and his less celebrated brother Pieter Brueghel the Younger (1564-1637/8). The exhibition also includes a dozen important works by their father; to Apr 14

■ TV AND RADIO

● WORLD SERVICE **BBC** World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV Monday to Friday, Central European Time:

● NBC Europe 10.00: European Money Wheel Nonstop live coverage until 15.00 of European business and the financial markets.

17.30: Financial Times Business

Tonight CNBC 08.30; Squawk Box 10.00: European Money Wheel

18.00: Financial Times Business

Tonight



Peter Martin

Ghost of business future

choices that made switching

an expensive business - this

hold. In some cases they

staved because of close per-

sonal relationships between

bosses, or between salesman

between companies linked

by geography, nationality or

history. Mostly, though,

they stayed because of invis-

in: the limited number of

rival suppliers, and the cost

of obtaining the information

judgments about them.

These fences were particu-

larly strong in the financial

services industry; strongest

of all in those countries

where the universal bank-

All these sources of influ-

ence are weakening, in

industries from heavy engi-

neering to finance. In a

world of open standards,

"system" influence no lon-

ger provides such a stran-

glehold, as IBM has learnt

to its cost. Microsoft has

obtained a pervasive role for

its operating-system soft-

ing model prevailed.

fences that kept them

ssary to make informed

ible

The death of traditional forms of banking means that banks must concentrate on finding ways to keep hold of increasingly fickle clients

¶ he demise of the British merchant bank has been widely noted. Much less attention has been paid to the demise of another traditional pillar of the financial system, the continental

European universal bank. There is a reason for this. Merchant banks have, literally, disappeared, bought out by US-style investment banks or by commercial banks. Universal banks Bank retained its raison appear to remain in exis- d'être as an essentially tence: the big German and Swiss banks, which invented this role, are still prominent. One of this group, the about-to-merge United Bank of Switzerland, will become the secondbiggest bank in the world,

measured by total assets. Yet despite these apparent signs of health, the universal bank is on the way out. The big Swiss banks, together with Deutsche and Dresdner banks of Germany, are transforming themselves into quite different animals: global investment banks with a substantial domestic banking business on the side.

In a world of unfettered global capital flows and international companies, the universal bank is essentially outdated, because it is a concept defined by national borders. Its historical role was to accept the savings of domestic depositors, to lend them on to domestic industry, and to act as both retail broker and corporate underwriter. In all these activities, it relied on its central role in a domestic financial system largely insulated from outside com-

This national role is now history. Yet it lies at the heart of the universal bank's identity. Deutsche Bank, the first and greatest of such enterprises, was according to Hermann Wallich, its early managing director - founded with the object of freeing Germany's overseas trade from its reli-

wrote, "to free the fatherland from this tribute and make our commerce inde-Subsequently, Deutsche

Bank expanded from financing overseas trade to financing domestic industrial investment and underwriting corporate stocks and bonds. The universal bank was born. But Deutsche national project: until the 1920s, its crest was a variant of the imperial eagle.

Much has changed since

then. Deregulation of European financial systems, competition from home and abroad, the need to tap the capital markets of the US these trends have created the global investment bank. Universal banks in Switzerland and Germany have decided that their future lies in competing in this wider league, not in continuing to fight yesterday's battles at home. Their competitors some way ahead of them, it must be said - are the everlarger US investment banks, such as Morgan Stanley Witter, Merrill Lynch, Goldman Sachs or

Salomon Smith Barney.

ance on British finance. "It if the Europeans succeed, the customers stayed, tion is shifting the balance was a happy notion," he their traditional role as They stayed, in some of advantage to the cusdomestic banks and brokers will eventually become a locked in to "system" minor part of their operations. If they fail, they may indeed be pushed back to their domestic roots - but will no longer be able to count on the unquestioning. support of depositors or clients. Either way, the traditional unversal bank model

This is not merely the end of a century-old phenomenon in European finance. It is also a symptom of a wider change in business everywhere - the weakening influence of "account con-This phrase

described the hold IBM had over its customers, in the nowhere else to turn. But it applies to a century-old style of business. Companies could rely on a stable set of customers, making predictable demands. The level of their orders might go up or down, depending on the eco-nomic cycle. The balance of power between seller and buyer might fluctuate as a result. Competitors would enter the market; sometimes they would woo the customer away. But mostly,

ware, and Intel for its chips, but they have done so by making their standards more open than the old IBM mainframes ever were. Similarly, personal and corporate relationships are weakening, in the face of death of the universal bank intensified emphasis on and the need for its success returns to shareholders. Corporate relationships persist, of course - indeed, they have been given a new lease of life by the vogue for strategic partnerships. But such relationships are justified on strictly mercenary grounds. The implicit message is: "what have you done for me lately?", and power in the relationship

rests disproportionately with the customer. Globalisation has meant that there are more potential suppliers in all markets. And the information revolu-

cases, because they were tomer and away from the supplier. John Hagel and Arthur Armstrong of McKinsey's Silicon Valley was the secret of IBM's practice believe that the growth of online "virtual communities" of buyers is creating markets "in which the customer, armed with a and purchasing agent; or growing amount of information, uses [it] to search out vendors offering the best combination of quality and price tailored to his or her individual needs"." General Electric conducts electronic reverse-auctions among suppliers of standardised products. It sets out its require ments, then asks for bids. Through this process, it is shortening the procurement cycle and giving more business to foreign suppliers.

Any manufacturer of mass-market consumer products will find little new in all this. Indeed, the modern brand exists precisely to overcome the inherent fickleness of mass consumers a fickleness which business to business purchasers are now free to emulate.

Suppliers of such products and services are thus themselves adopting branding principles, seeking to adapt them to this very different environment. So far, this approach has led to a rash of new corporate identities, but little profound change in business approach. The death of the universal bank. sors to redefine themselves in a fiercely competitive world, offers the opportunity for a breakthrough in the creation of business-tobusiness brands. Without it, the Swiss merger can, at best, achieve only partial

*Net Gain: expanding markets through virtual communities. by John Gael III and Arthur G. Armstrong. Harvard Business School Press, Boston, 1997, 233pp, \$24.95.

Email: peter.martin@FT.com

BOOK REVIEW - Jimmy Burns

MAN OF WAR; MAN OF PEACE? The Unauthorised Biography of Gerry Adams, by David Sharrock and Mark Devenport Macmillan, 488pp, £16.99

Two faces of Irish republicanism



Street today might he reflect on the last time the Sinn Féin leader met the British government face to face in London. That was June 1972. Mr Adams was part of a delegation led by Sean MacStiofain, the IRA chief of staff, who was being received by William Whitelaw, then home secretary.
"Oh Mr MacStiofain, how

do you do?" Mr Whitelaw said, extending his hand. Mr MacStiofain replied by reading out a list of IRA demands, including a general amnesty, a public commitment to a united Ireland, and British withdrawal within three years.

Mr Adams, then 23, had just been been released from Long Kesh prison where he had been interned because of his alleged membership of the IRA. Three weeks after the collapse of the Whitelaw talks, the IRA broke its truce, setting off 22 bombs within an hour in central Belfast. In what came to be known as Bloody Friday, nine people were killed and

dozens maimed. The question posed by David Sharrock and Mark Devenport in their timely, unauthorised biography of Mr Adams is: to what extent has he changed over the past 25 years from a man branded by the British government as a terrorist to a Mandelatype statesman? Has Mr Adams genuinely become the man of peace the authors claim, "working from the inside at the highest levels of the republican movement, frustrated at the obstacles thrown in his path but determined to succeed in finally breaking the near-

theological belief in physical Mr Sharrock of the Guard- pels into Gaelic.'

When Tony ian and Mr Devenport of the Gerry Adams job in dissecting arguably the most important, yet enigmatic, Irish republican leader since Michael Collins. One of the book's main

strengths is its detailed examination of Mr Adams' relationship with the IRA. The government has found it politically necessary to downplay his terrorist connections, while Mr Adams has stuck doggedly to the position that he is not, and never has been, an IRA

Yet the authors pull few punches. The book begins with an account of his father being arrested after shooting two policemen in 1942. The IRA to which Adams senior belonged, had launched a campaign against British rule in the midst of the second world war.

Adams junior, according to the authors, began his active IRA involvement in 1965 when he was invited to join by the Belfast O/C (officer commanding) at a time of mounting Catholic civil rights protest. By the early 1970s, he had risen through the ranks and was com-manding the IRA's Second Battalion in Belfast with some 700 men under his command. By 1977, he is said to have reached the IRA's Army Council, the organisation's highest body. The authors believe that, to this

day, Mr Adams continues to be a senior IRA member. By underlining his close links with the military wing of the republican movement. the authors undercut one version of Mr Adams as an Irish Mahatma Gandhi. This image is perhaps best exemplified by a phrase of Edna O'Brien, the novelist: "Given a different incarnation in a different century, one could imagine him as one of those monks transcribing the gos-

For a great many Irish BBC have done a remarkable people, the authors remind us, it is painful to see Mr Adams fêted as a peacemaker. And yet at no stage does the book fall into the trap of dismissing him as a simple terrorist.

The portrait that emerges is rather of a skilful and calculating politician, who has outmanoeuvred his rivals within the republican movement, and won over enemies from outside it. He has been adept at remoulding the power structure of republicanism in his own image to the extent that the British government now believes it has no alternative but to deal with him.

During the late 1980s and 1990s, he has worked hard at balancing political action with the central IRA tenet that only through violence can Ireland be liberated. The authors argue convincingly that the tactic of publicly drawing a distinction between Sinn Féin and the IRA is fundamentally deceitful. Behind the scenes, Mr Adams has consistently supported a dual strategy to pursue his long-term aim of a united freland, including if necessary - a return to

But his public presentation as a Sinn Féin president dedicated to a political, rather than a military, solution, has enabled him to clear several political hurdles and to broaden his sphere of influence, not least

in Washington. The real test of Mr Adams' credentials as a man of peace has yet to come. It will be the extent to which he is prepared, and capable of, swinging the IRA behind a compromise settlement. Such a deal would necessarily, for the time being at least, fall short of what IRA militants have long been fighting for. And that will be

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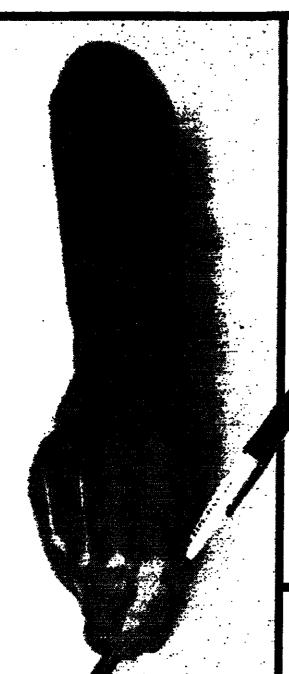
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THE OTTAWA TREATY TO BAN LANDMINES. **WILLYOUR GOVERNMENT SIGN?**



It ranks among the cruellest inventions

The landmine. A device that not only terrorises communities, but kills or mains over two thousand men, women and children every single month.

But the pain and suffering of these victims and their families has not gone unheeded.

The International Committee of the Red Cross, along with many other organisations, has been working tirelessly to bring about an end to the carnage. These efforts are now beginning to bear fruit.

At the United Nations General Assembly last year 155 countries gave their support to a total ban on anti-personnel mines.

In Oslo an international treaty was drawn up calling for a complete ban on these weapons.

And this December the Canadian Government is inviting all the countries of the world to Ottawa to sign this treaty banning the production, use, export and stockpiling of anti-personnel mines.

Millions of landmines have been laid. All we ask is for 192 pens to be picked up.



NTERNATIONAL COMMITTEE OF THE RED CROSS (ICRC)

LETTERS TO THE EDITOR.

Number One Southwark Bridge, London SE1 9HL

to fine); email: letters editorest com Published letters are also syallable on the FI web sire, http://www.FT.com Translation may be available for letters written in the main international languages.

An emerging economy's unaffordable luxury

From Mr Vladimir Popov. Sir, I strongly believe that the overvaluation of the rouble is an unaffordable luxury for Russia (Lex, December 3). It undermines exports and the emerging economic recovery. Russian prices converted into dollars at the official exchange rate are

now 70 per cent of the US This is clearly an unsustainable position. They used to be at a level of 10 per cent in 1992, right after the deregulation of prices, they increased to 30-40 per cent in 1993-94 and to 70 per cent in 1995-97. The previously high export growth rates slowed down substantially (from 20 per cent in 1995 to 8 per cent

From Eileen O'Connor. Sir, Your article "Name

one after the 'Gioner' '

(December 8) states that a

ing Washington National

Airport "Reagan Airport", "Gipper Landing" or "Ron-

ald Field" (of course, these

are just my suggestions...) is likely to be defeated. On

the flip side of this contro-

versial issue is the Republi-

can Congress, which would

surely like to see this shrine

It is no secret that the pop-

ulation of Washington DC is

considered to be "transient"

in the sense that it is normally dictated by the party

in power. Similarly, Congress has a way of changing

its own make-up every now

As the pendulum of both

Congress and the population

at large will surely swing in

the opposite direction before

Armageddon, may I suggest

that the name of the airport

remain Washington National

rather fine name for an *air-*

Airport? It seems like a

port that is national and located in Washington.

Elleen O'Connor,

NJ 07028, US

20 Edgewood Road,

come to pass.

and again.

local referendum on renam-

Undervaluation of the domestic currency is very common policy for develop-ing countries since they usually need to earn a trade surplus to finance repayment of external debt and capital flight. Unlike mature market economies, most developing countries keep the exchange rates of their currencies low as compared to purchasing power parity rate (actual rate corrected for the differences between domestic and international prices). This allows them to limit consumption and imports and to stimulate exports, invest-

ment, and growth.
This used to be the strategy of Japan, Korea, Taiwan

and Singapore, when they were still catching up with developed countries. It is currently the strategy of many emerging market economies, especially in east Asia, China continues to keen its exchange rate at an extremely low level (five times lower than the PPP rate) by accumulating foreign exchange reserves (now at record levels).

all fast-growing economies also have high and rapidly growing international erves. East Asia, including Japan and China, now accounts for a good third of total world foreign exchange reserves. The reserves-to-GDP ratio for these coun-

It is not a coincidence that

tries is normally above 20 per cent, compared with only 8 per cent for the world

Even if Russia succeeds in coping with the current outflow of capital without devaluation until the end of this year, in the longer run it seems inevitable. Delaying the devaluation of the rouble will only result in an Asian-Style exchange rate crisis

Vladimir Popov, senior research fellow, World Institute for Development Economics United Nations University,

A fine name How consultants add value greater than for an airport any fee with focus on the client's delight

From Mr Andrew Turner. Sir, I refer to Ken Mac-Intyre's letter (November 26) roundly berating consultants and jargon

The acerbic view of Robert Townsend, former chairman of Avis, that consultants ... borrow the client's watch and then tell him the time . . . " is true. It is bound to be, since the principal source of detailed information on a client's business lies within his organisation.

It is the analysis and interpretation of that data that is the key to successful consul-

tancy, with impartial, objec-tive and independent analysis untainted by established preconceptions and cultural influences. By sidestepping the prejudices of established structures, it gives a client a wider range of quality options than would otherwise be available. That is how consultants

add value significantly greater than any fee. Indeed, with their focus entirely on client delight at the end of every commission, some are happy to relate payment to performance. This way the

vices and results delivered. The adage "simplify and improve" also applies to the presentation of concepts. Jargon is unnecessary. It is surprising how often the "blindingly obvious" only becomes so when explained simply and clearly.

Andrew Turner. managing director, Dartnell Consulting and Management Group, 40 Dartnell Park Road, West Byfleet, Surrey KT14 6PR, UK

EU gas industry must force pace of change

field forgemasters chal-

that about 10 years ago Shef-

From Mr David Varney. Sir, John Battle, the UK energy minister, should be congratulated for helping to persuade his fellow European energy ministers to begin opening the door to gas market liberalisation. albeit very cautiously ("EU gas market freeing-up welcomed", December 10). **Energy-intensive European** companies, facing increasingly tough international competition, are not best served by the caution of EU legislators in this

It is something of an irony

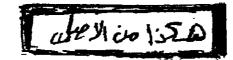
lenged the recently privatised British Gas for misusing its monopoly status in pricing gas contracts to industrial customers. What prompted this was the loss of an important contract to an Italian company which was then able to buy

This led to a reference to the European Court and triggered a process of gas market liberalisation in the UK far more rapid and radical than that now envisaged by the European gas directive.

prices for industrial consumers in the UK are now at least a third lower than comparable prices in continental Europe. Recognising this, let us hope that European industry forces a pace which outstrips the tentative programme of the new direc-

chief executive. 100 Thames Valley Park Drive, Berks RG8 1PT, UK

David Varney,



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Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Thursday December 11 1997

At risk in Korea

Only a week after it was assembled, the International Monetary Fund's \$57bn rescue plan for South Korea seems to be coming unstuck. Had it done what was intended, the IMF package should by now have stabilised the Korean currency and prompted a resumption of capital inflows which would help the country pay its short-term debts. Instead the system would be severe. won is in free fall, reserves remain perilously close to exhaustion and the risk is growing that private-sector Korean borrowers will end up default-

ing on their foreign debt: The post-mortems must already be starting. Doubtless the markets are overshooting in their pessimism, given Korea's narrowing balance of payments deficit. But the IMF programme does look questionable in seeking to tighten credit in an economy already at risk from slump-

ing demand. Korea has also failed to deliver. Its stubborn efforts to avoid closing two conspicuously failing commercial banks signal a lack of serious intent to

restructure its bloated economy. More urgent, as the crisis unfolds, is the question of what to do next. The IMF and the industrial countries that contributed to its package must decide whether to commit more allow a default and concentrate from Korea.

on clearing up the mess The risks in the latter approach are large. A default by a Korean bank in the international money market could trigger a contagious loss of confidence, sucking into the crisis banks from a range of emerging nations and exacerbating concern over Japanese banks. The consequences for the financial

Yet it is difficult to see what can now be done to restore market confidence in Korea, especially given the approaching presidential elections. Accelerating the disbursement of the funds already committed in the IMF package might lance the immediate problem. Confidence will not be restored, however, while the government dithers about reform.

Had it closed Korea First and SeoulBank and taken over their foreign liabilities, the market might have believed genuine restructuring was on the way. But having disappointed yet again, Seoul will have to work harder still to prove it accepts

the need for structural change.
As long as it ducks that challenge, the more governments and central banks will have to consider how to shore up the system as a whole. The central banking fraternity must stand ready to deal with the possibilmoney and reinforce their exist- ity of serious problems in the ing approach, or whether to interbank market spreading

Eastward ho!

Eight years after the unjust, since the difference in revolutions in eastern Europe, the EU is almost ready to negothe states that then threw off the communist yoke. At Luxemthe existing 15 members will formally name the states chosen for this honour - Czech Republic, Estonia, Hungary, Poland, Slovenia, along with Cyprus – while doing their best not to discourage those who, for the moment, will be asked to wait on the doorstep.

This differentiated approac has not been without its critics. Several governments argued for a "regatta", with all candidates starting negotiations at once and each reaching the finishing line as and when it could. But that would have been a messy procedure, producing a series of separate accession treaties, all requiring ratification in every member state. In the end it makes more sense to select a group of states with a reasonable hope of concluding negotiations within two or three years. This procedure also has the merit of rewarding those states which have shown the greatest courage and stamina in under-

these favoured candidates, leav- grounds of culture or religion

macho image are always in dan-

ger of making mistakes. So it is

able efforts to build closer eco-

crucial task. Like New Zealand.

Australia is struggling with col-

lective guilt over past injustices

towards its indigenous popula-

tion. But this is just one more

reason for trying to settle the

issue by compromise and gen-

Some legislative response was

inevitable after last year's

so-called Wik case, in which the

high court decreed that native

tional standing.

black and white.

confrontation.

taking necessary reforms.

readiness is one of degree not of kind. Bulgaria, Latvia, Lithuatlate entry terms with some of nia and Romania may have been slower to embark on reforms than the favoured five. bourg this weekend leaders of but they have now done so, and are entitled to expect help in

> To neglect them would also be Slovakia, however unsatisfacnot de cast into outer darki which uphold democratic valdoned to their fate.

The same logic must apply to Turkey. There are many good reasons why it would not make sense to open membership negotiations with Turkey next year, as the present Turkish government is itself realistic enough to admit. But Turkey, an associate member of the EU since 1963, can hardly be expected to help smooth Cyprus's path to membership if denied the right to be judged by the same criteria itself in due course. Worse, to efforts in the next few years on exclude any state on a priori

Yet it would also be quite wrong to focus all the EU's farther behind. This would be ciples.

catching up.

unwise, since the stability of central Europe can only suffer if new divisions open up within the region. For the same reason tory its current politics, must On the contrary, contacts with it should be cultivated, so that the elements in Slovak society ues, rejecting the populism and ethnic exclusivism of the present leadership, do not feel aban-

ing the others to fall farther and would betray the EU's own prin-

Australian guilt

Political leaders under pressure tainty over precedence, not only

prime minister. His row with The senate's failure to pas Mr Howard's subsequent legislathe country's senate over the tion setting out the limits on land rights of native aboriginals native rights would matter less seems to be pushing the country if the prime minister had not foolishly insisted that it be towards an early general election with damaging consequences for Australia's internapassed intact. Now that his proposais have passed the lower house a second time, the senate After the immigration contromust agree to the bill within versy created by Pauline Hanson, an independent member of three months. Otherwise, the constitution allows Mr Howard parliament. Australia cannot

afford a campaign that might a general election. inflame racial tensions. Its laudadvantage for blm to do so. He nomic and political links with Asian neighbours could be badly damaged. At home the go to the country in 1999 anycampaign would create painful divisions between urban and rural voters as well as between Settling the issue of native land rights is undoubtedly a

> unseat his coalition. But such an outcome is by no

to project a more resolute, in the rural economy but also among Australia's mining companies, whose activities could with John Howard, Australia's also conflict with native title.

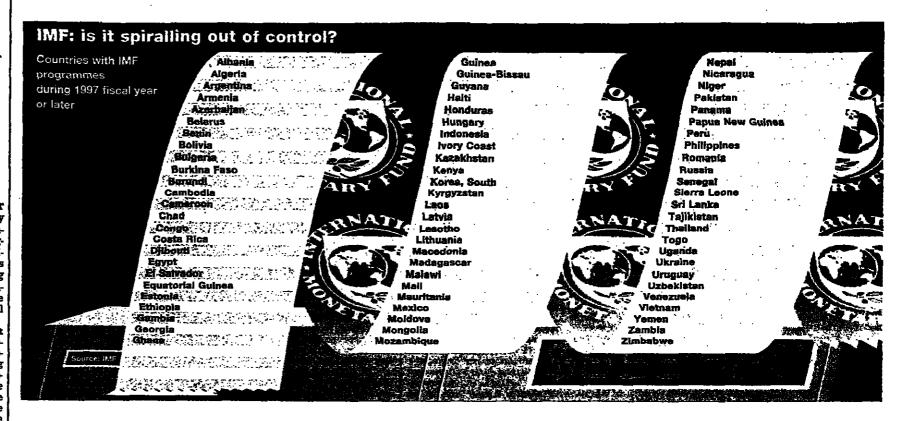
to dissolve both houses and call

Tactically there may be an is trailing in the polls and must way. An election caused by his unyielding stance on native title rights could ensure that he retains important seats in rural Queensland and Western Australia, which the opposition Labour party needs to win to

means certain, and the price looks high when the possibility of compromise remains. The differences between Mr Howard eral agreement rather than by and the finely balanced senate are bridgeable. With a dose of goodwill and careful negotiation, Australia could have a workable solution to the prob lem. If he could deliver this, Mr title rights could co-exist with Howard might acquire a reputafarmers' grazing leases. The tion for statesmanship that judgment created great uncer- could impress the voters.

COMMENT & ANALYSIS

Personal View · Jeffrey Sachs



Power unto itself

In this article, the head of the Harvard Institute for International Development explains why the IMF needs reassessment

t is time that the world with around 1.4bn people. take a serious look at the International Monetary Fund. In the past three months, this small, secretive institution has dictated economic conditions to 350m people in Indonesia, South Korea, the Philippines, and Thailand, It has put on the line more than \$100bn of taxpayers' money in loans.

These bailout operations, if handled incorrectly, could end up helping a few dozen international banks to escape losses for risky loans by forcing Asian governments to cover the losses on private transactions that have gone bad. Yet the IMF decisions have been taken without any public debate, comment, or scrutiny.

While it pays lip service to "transparency", the IMF offers virtually no substantive public documentation of its decisions, except for a few pages in press releases that are shorn of the technical details needed for a serious professional evaluation of its programmes. Remarkably, the international community accepts this state of affairs as normal.

the Fund will demand of country X, assuming that the IMF has chosen the best course of action. The world accepts as normal the idea that crucial details of IMF programmes should remain confidential even though these "details" affect the well-being of millions. Staff at the Fund, meanwhile, are unaccountable for their decisions.

The people most affected by these policies have little knowledge or input. In Korea, the IMF insisted that all presidential candidates immediately "endorse" an agreement they had no part in drafting or negotiating - and no time to understand.

The situation is out of hand. However useful the IMF may be to the world community, it defies logic to believe that the small group of 1,000 economists on 19th Street in Washington should dictate the economic conditions of

These people constitute 57 per cent of the developing world outside China and India (which are not under IMF programmes). Since perhaps half of the IMF's professional time is devoted to

ment, research, and other tasks about 500 staff cover the 75 countries. That is an average of about seven economists per country. One might suspect that seven staffers would not be enough to get a very sophisticated view of

what is happening. That suspicion would be right. The IMF threw together a draconian programme for Korea in just a few days, without deep knowledge of the country's financial system and without any subtlety as to how to approach the problems. Consider what the Fund said about Korea just three months

ago in its 1997 annual report. "Directors welcomed Korea's continued impressive macroeconomic performance [and] praised the authorities for their enviable nscal record." Three n there was not a hint of alarm. only a call for further financial sector reform - incidentally without mentioning the chaebol (conglomerates), or the issue of foreign ownership of banks, or hanking supervision that now figure so prominently in the IMF's

Korea programme. In the same report, the IMF had this to say about Thalland, at that moment on the edge of the financial abyss. "Directors strongly praised Thailand's remarkable economic performance and the authorities' consistent record of sound macroeconomic policies."

With a straight face, Michel Camdessus, the IMF managing director, now blames Asian governments for the deep failures of macroeconomic and financial policies that the IMF has discovered. It would have been more useful instead, for the IMF to ponder life to 75 developing countries why the situation looked so per cent to 21 per cent upon the ing the panic. With appropriate

much better three months ago, for therein lies a basic truth about the situation in Asia.

There is no "fundamental" reason for Asia's financial calamity except financial panic itself. Asia's need for significant finanthese countries - with the rest cial sector reform is real, but not tied up in surveillance of a sufficient cause for the panic, advanced countries, manage and not a justification for harsh macroeconomic policy adjustments. Asia's fundamentals are adequate to forestall an economic contraction: budgets are in balance or surplus, inflation is low, private saving rates are high,

> growth. Asia is reeling not from a crisis of fundamentals, but from a self-fulfilling withdrawal of short-term loans, one that is fuelled by each investor's recognition that all other investors are withdrawing their claims. Since short-term debts exceed foreign exchange reserves, it is "rational" for each investor to join in

the IMF has 1997. But the projected slowdown decided impose a severe Korea's worries by next year, macroeconomic contraction on since the underlying macroecotop of the market panic that is nomic measures could easily Consider the Korea programme (or at least those parts that have been announced to the public). The won has depreciated by around 80 per cent in the past 12 months, from around 840 a dollar to a record low of 1,565 yesterday; this currency depreciation will force up the prices of traded goods. Yet despite that, the IMF insists that Korea aim for an essentially unchanged inflation rate (5.2 per cent in 1998, in comparison with 4.2 per cent in 1997). To achieve unchanged low inflation in the face of a huge currency depreciation. Korea will need a brutal monetary squeeze. And indeed this is just what the Fund has ordered. Short-term interest rates jumped from 12%

signing of the programme, and have since risen further. The Fund argues that these

draconian monetary measures are "to restore and sustain calm in the markets" and "[to] demonstrate to markets the government's resolve to confront the present crisis". It is hard to see how recessionary monetary policy will restore calm. Indeed the panic has so intensified since the signing of the agreement that Korean banks may now be on the verge of outright default. Just one day after the measures were economies are poised for export unveiled, the 11th largestconglomerate declared bank-

ruptcy when Korean banks abruptly refused to roll over its short-term debts. In recent days more well-known local companies have gone under. In addition to the rise in interest rates, the IMF is insisting that fiscal policy be tightened by this, the IMF required that 9 out of 30 merchant banks suspend thout wider professional debate, cent in 1998 from 6 per cent in

> contraction. None of this overkill makes sense for an economy that was (rightly) judged to be pursuing sound macroeconomic policies just months earlier. A better approach would have been for the IMF to stress the strengths rather than the weaknesses of the Korean economy, thereby calming the markets rather than further convincing them of the need to flee the country. Months ago, when the financial crisis began, the Fund could have quietly encouraged Japan, the US and Europe to provide some credit support to the Bank of Korea. It might well have worked with the major banks to encourage them to roll over their short-term debts without inflam-

confidence-building measures, Korea could probably have got by with a modest slowdown in growth, no credit crunch, and a realistic time horizon of a few years to complete its needed

financial reforms. In more than six dozen developing countries, the IMF is in a position to choose make-or-break financial policies. While its instincts are often correct, they can sometimes be wrong, with serious consequences.

In recent years, the IMF mishandled the Russian reforms (for example, by insisting for more than a year that all 15 successor states to the Soviet Union share a common currency, thereby delaying stabilisation and undermining the political support for reforms). In Bulgaria, the IMF signed a programme in July 1996 based on 2.5 per cent growth and 20 per cent inflation in 1997. 1-11/2 per cent of GDP. On top of Instead, Bulgaria has suffered an outright collapse of gross domestic product of more than 10 per operations. The IMF is aiming for cent, and inflation in the hun-Korean growth to fall to 25 per dreds of per cent. The IMF (in common with others) failed to foresee the Mexico crisis in 1994

to may turn out to be the least of and the Asian crises in 1997. Three general conclusions can be reached. First, the IMF is invested with too much power: already roiling these economies. push the economy into outright no single agency should have responsibility for economic policy in half the developing world.

Second, the IMF's executive board should do its job of overseeing the staff, rather than simply rubber-stamp the staffs' proposals. It is high time the board consult outside expertise in the exploratory stages of IMF operations; it should also canvas international opinion about the origins and policy implications of the Asian crisis.

Third, IMF operations should be made public, so that professional debate and review can help ensure the highest possible professionalism of the institution, especially since (for all its faults) the Fund will surely continue to play an important role for many years in the future.

OBSERVER.

Whole hill of beans

■ Michael Sutton is about as important as bean-counters come. So the announcement that the US Securities and Exchange Commission's chief accountant is stepping down next month -"to pursue personal business interests" - has stirred up plenty of interest.

It's not just American accounting types who should take note of who replaces the tough-talking Sutton. Despite being a staunch defender of US financial reporting, he's been open-minded enough to back Shr Bryan Carsberg's ambitious project to harmonise world stock market accounting

reonirements. The crunch comes next year, when the SEC passes judgment on Sir Bryan's standards. Sutton won't be around to have his say. But the views of his successor will certainly count.

Sutton this week won full praise from SEC chairman Arthur Levitt for beloing to secure "sound markets" by fighting for fair and rigorous accounting standards. Some broised opponents might say that, on occasion, he fought a bit too hard.

Among other things, the former Delottte & Touche partner was behind the creation

of the independence Standards Board – a body designed to make sore auditors remain independent.
With the Big Stx accountance

firms trying to push through that could soon have something to bark about.

Ring the changes ■ So who's going to emerge at

operator OTE? Socialist government placeman and former party freasurer Petros Lambrou stepped down as chief executive last month, on the orders of prime minister Costas Simitis; be now faces the thankless task of reforming the loss making Agricultural Bank.

To reassure OTE's international shareholders - the company is 20 per cent privatised - headhunters Egon Zehnder were asked to find a top telecoms manager from abroad. But no suitable candidates could be found: the choice is now between two in-house candidates, both academics with

strong Socialist party links. The prime minister's man is George Chryssolouris, an affable former MIT teacher who sits on OTE's hoard. His rival is the reclusive Christos Kazantzis, who earned his PhD in Britain and runs OTE's finance department. He is backed by

Kazantzis knows more company and party - secrets.

influential economy minister

committee is already 10 days

problem. Chryssolouris knows

overdue. But it is a ticklish

A decision by a special cabinet

Yannos Papantonion.

Bit cross France's political cohabitation continues to turn up strange situations. Jacques Chirac, the Gaullist president, used yesterday's cabinet meeting to lay into "his" leftwing government's proposals for a 35-hour working week. He then calmly walked into an adjoining room in the Elysée Palace to decorate Socialist prime minister Lionel Jospin with the Grand Cross of the National Order of

Merit. Apparently PMs

traditionally pick up the gong

when they've clocked up six

Chirac's desire to create a

months in office. So much for

meritocratic honours system.

Fly with me

■ Tour guides from Los Angeles and Bangkok should start learning Hungarian. Hordes of Magyar pensioners are about to descend thanks to an initiative by the country's wily prime minister Gyula Horn.

The PM announced in cavalier fashion this week that pensioners would get free travel on the state railways, inter-city buses and - fasten your set belts - the off-season flights of national flag carrier Maley. The airline has since been deluged with enquiries from over 65s eager to see New York's JFK; never mind that their pensions would barely cover the cost of a

subway ticket downtown. Maley booking clerks are responding cautiously with warnings that the PM jumped the gun - the deal hasn't been finalised. But Horn usually gets his way. And with elections less than six months away, he'll be thinking about the long haul.

Not so warm ■ When negotiators in Kyoto insisted that a deal would be

struck by last night, no one really believed them. Travel agents were overwhelmed with delegates trying to re-schedule flights to allow for the conference running over. But the deadline wasn't just

self-imposed: the Kyoto international conference centre is booked from this morning by another convention. With cleaners waiting in the wings, the negotiators had to come to a conclusion - or continue haggling out in the icy chill of a

100 years ago Serves Them Right We are glad to find that the

Klondyke Gold Mining and Trading Company – which, as our readers will remember is mixed up in some mysterious way with the London and South-Eastern Bank – is finding a good deal of difficulty in securing subscriptions of capital Prospectuses have been going around for some weeks, and yet only something about £16,000 has been subscribed out of £100,000. The indifference of the public has necessitated the issue of an imitation type-written letter in which the secretary expresses the belief that a perusal of the prospectus wili convince you that we are offering a most excellent investment." We think we have heard this phrase before.

50 years ago Canadian Gold Mining

Ontario and Quebec gold mining operators have informed the Dominion Government that they consider the minimum assistance required to maintain the industry is approximately \$7 for all gold produced instead of that amount for new production only, as the Government has



FINANCIAL TIMES

Thursday December 11 1997



GM returns to S Africa with investment in Delta

By Haig Simonian in London and Mark Ashurst

South Africa yesterday passed of the world's biggest car company as a direct investor.

General Motors of the US is to buy 49 per cent of Delta Motor, the vehicle assembler formed from a management buy-out of its South African subsidiary in 1986.

The US group declined to reveal any financial details of the deal, beyond saying that it had an option to acquire "addi- Delta, South Africa's third bigtional equity" in the future.

"GM has been impressed with the political and economic transformation in South Africa as well as the strong potential for growth in the automotive market." said Louis Hughes, head of GM's international operations.

The group said it would try Helped by high tariffs, they R37.5m and R75m respect to improve productivity at operated successfully as indeinto Nissan South Africa.

Delta, which assembles Astra pendent licensees during the and Corsa cars, as well as isolationist apartheid years. Isuzu trucks and vans from Japan. Future projects could include exporting parts and ties with international parents. a milestone in its economic rehabilitation with the return grated into GM's sales and

supply network.

The deal marks an unexpected leap in GM's international expansion to a new continent. The group is building factories in Argentina, Poland, Thailand and China to capture sales in developing markets. In spite of relinquishing con-

trol in 1986, GM retained personal and business links with gest vehicle maker by sales. GM's move follows similar investments by other carmakers. Although South Africa has fewer than 100 vehicles per 1,000 inhabitants

- compared with an average 400 per 1,000 in Europe - it has seven domestic carmakers.

But as trade barriers fall, the local assemblers have sought

Import duties fell from 125 per cent in 1994 to about 60 per cent and will drop to 40 per cent by 2002. That has encouraged a number of importers. such as Volvo, Saab, Hyundai and Daewoo, to open dealerships. The rise in imports has prompted locally-based carmakers to restructure.

However, the established market and a high brand loyalty among buyers have convinced many carmakers that their historic investments in South Africa are worth protecting.

Toyota South Africa is investing R1.4bn (\$287m) over five years, while BMW will spend Ribn to modernise and expand. Meanwhile, Nissan Diesel and Mitsui are injecting R87.5m and R75m respectively

China and India may delay agreement on climate treaty

By Leyla Boulton and **Sethan Hutton in Kyoto**

Late resistance from China and India was last night gets by buying permits from agreement on a global treaty to combat climate change.

The compromise treaty, investing in emission reducwhich is in the final hours of negotiations at the world conference on climate change in Kyoto, would impose a legally-binding target on industria-and Japan resolved differences lised countries for a 6 per cent reduction in greenhouse gas emissions by 2010. The most important greenhouse gas is carbon dioxide from fossil fuel

it would create an unprecedented regime for trading emissions targets between industrialised countries and chief US negotiator, told deledeveloping nations that gates as they sought to hamin their emissions. Technology ument. "We have the would be transferred to opportunity to...demonstrate by a consensus of nations. developing nations to enable to the world, as we have been to expand in a

more climate-friendly manner. exceed domestic emission tar-

tions abroad. The 10-day negotiations entered their final phase after over emission targets for developed nations. They compromised by agreeing to extend the scope of a treaty to three initially proposed by the

EU and Japan. "We are at a historic junc-ture," Stuart Eizenstat, the

admonished to do, that once

and for all the developed world Companies in the industria- is ready to meet this historic lised world would be able to challenge by agreeing legallybinding reductions."

But China and India last threatening to hold up the other companies or govern-night threatened to torpedo ments that have not used up the talks by opposing provitheir allowance - in effect sions for emissions trading. They argued trading might allow rich countries to continue growing at their expense without reducing overall emissions. Mr Eizenstat said the US needed emissions trading in order to carry out its obligations under the treaty.

The US has also angered developing nations at the consix greenhouse gases from ference by demanding they play a "meaningful" role in tackling climate change. The US Senate has gone further by threatening to veto any deal that does not include matching commitments for the country's embraced curbs on the growth mer out agreement on the doc- fast-growing economic rivals. The treaty must be approved

Russian markets shaken by Yeltsin's ill-health

By Chrystia Freeland

Russia's fragile markets were shaken yesterday when the Kremlin announced that President Boris Yeltsin had contracted an "acute respiratory viral infection" and would be confined to a sanatorium for

nearly two weeks. Kremlin officials sought to play down the Russian lead-er's illness, insisting that Mr Yeltsin was suffering from nothing more serious than a cold and would be able to continue working during his 10to 12-day stay in the sanato-rium outside Moscow.

But the 66-year-old leader's history of health problems, including a quintuple heart bypass operation just over a year ago, and his erratic behaviour on a visit last week to Sweden meant that his sniffles threatened to infect the Russian financial world.

Russian debt prices fell and the stock market dropped by nearly 5 per cent yesterday, partially wiping out this month's 18 per cent recovery in Russian shares.

Officials said Mr Yeltsin had caught a cold on his Swedish visit and was running a slight fever. "The doctors do not exclude influenza developine and have recommended a stay in a sanatorium," an official

Over the past 18 months, during which Mr Yeltsin suffered a heart attack in the middle of the 1996 presidential election campaign, the Kremlin has sometimes been economical with the truth

about the president's health. That ambivalent trackrecord, together with the huge power vested in the presidency, means Mr Yeltsin's condition will be closely scrutinised. Key days will be Friday, when officials said he was expected to deliver his weekly radio address, and Sunday when he might vote in elections to the Moscow city

US president Bill Clinton said he saw no reason for concern and wished his Russian counterpart a swift return to

health. Despite the market fitters two of the largest Russian companies also insisted that they were confident Mr Yeltsin would soon return to the

"On Friday [when Yeltsin chairman of Unified Energy

persuaded parliament to pass the budget] the president did his duty," said Boris Brevnov,

Systems, Russia's second largest company. "Now he deserves a rest." Menatep, one of Russia's largest industrial groups, said: "The president's health problem will not end the improving trend in the

THE LEX COLUMN

Self-immolation

South Korea has only itself to blame for the renewed crisis that has hit its financial markets. While the government has taken the International Monetary Fund's cash and promised to swallow the IMF's medicine, its actions this week signal that nothing has really changed.

By nationalising two tottering banks instead of letting them go bust, and subsidising Daewoo's takeover of the ailing Ssangyong Motors, the government has made clear that it still opposes the painful but essential restructuring of the private sector. On top of that, it seems to have been less than forthright about the level of Korea's short-term debt, now thought to be twice as high as original estimates at more than \$100bn. Investors have drawn their own conclusions, push ing the won to a new low against

the dollar.
It is difficult to see an easy way out of this impasse. To repay its short-term borrowings, Korea urgently needs foreign capital, which will be much more expensive than its previous borrowings. Limited reforms, such as opening the stock and bond markets to foreigners, are just a small step towards

restoring investor confidence. As a last resort, the IMF could pump in more money, though it is staggering to think that last week's record \$57bn package may not be enough. But what is really needed is wholesale rationalisation of the financial and corporate sectors. Until the politicians overcome their fear of a popular backlash and accept this, Korea remains a market to be avoided.

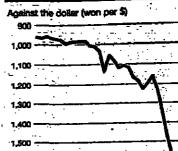
US earnings

Pour half a glass of wine. The analyst will say it is half-full; to the strategist it is half-empty. Equity strategists, who compose earnings forecasts for the whole market, have always tended to be more pessimistic than the industry analysts who follow individual companies.

What is surprising is how wide this gap has become on Wall Street. According to the data collectors First Call and I/B/E/S, US equity strategists expect average earning growth of 7 per cent in 1998 and 5-7 per cent a year thereafter. In contrast, aggregating the bottom-up forecasts of the industry specialists produces a merry 15 per cent growth for every year into the foreseeable future.

cations for investors. The US stock shopping mall tsar who owns Sother regulated utilities.

FTSE Eurotop 300 index: 976.6 (-11.4) South Korean won



market is trading on nearly 22 times expected 1997 earnings. Assume it maintains that multiple and the market should rise over 30 per cent by the end of 1999 if the analysts are correct, but by less than 10 per cent if you believe the

Over the past six years the optimists have been closer to the mark, with US earnings growth averaging an impressive 16 per cent a year. But that is beginning to change. An expanding list of US companies, from Oracle to Tenneco and J.P. Morgan, has warned of problems in Asia and a slowing domestic economy. Since strategists are quicker to incorporate such macroevents into their forecasts, the betting must now be that the bottom-up folk are out of line. That is hardly cheerful news for equities. review.

Christie's

1,600 -

- Nov

A mysterious potential takeover bid has turned the tables on Christie's. Shares in the venerable auction house have leapt almost 20 per cent in the last week on hopes that the company will prove as adept in selling itself as in hawking the objets d'art of the rich and wellborn. While the provenance of the bid is unclear, a central figure will be Joe Lewis, the wealthy businessman who owns a 30 per cent stake.

Recent changes to the way leading auction houses compete for the biggest sales, such as guaranteeing reserves essential for running the business. For this reason, a private as Alf Tauhman, the American return than that allowed to of

by's, could be a better owner than diverse shareholders demanding high returns on capital.

isk lies ahea

swiss bank

Chosens batte 23.

A bid would be well-timed, with shares before the bid speculation depressed by fears that European Union tax and copyright regulations might erode London's position as an entrepot. The recent downturn in Asian markets, which were expected to provide substantial sales growth, has also hit the shares hard. However, since auction houses historically trail the cycle by a couple of years, even the bearish can expect high-rollers to swell Christie's earnings for some time yet. Nevertheless, with the shares now trading at around 23 times 1996 earnings and 19 times 1997 earn-

ings, only real buils should be dissatisfied with an offer at the current share price.

Railtrack

To judge from yesterday's 8 per cent fall in the share price, the rail regulator's announcement of a review of how Railtrack levies access charges to passenger train operators has hit a raw nerve with investors. But this looks like an overreaction to what is, after all, only the start of a two-year consultation process that will see much mud-slinging before the review is completed.

What most surprised Railtrack investors, and delighted those trainoperating companies that stand to gain most from harsher regulation of the track owner, was the regulator's gusto in launching the

The review is clearly aiming for a more holistic treatment of Railtrack than was attempted in 1994. Whereas the overriding priority then was to ensure Railtrack had sufficient revenues from the operating companies, the focus now is on identifying an appropriate return for Railtrack shareholders. For that reason, the review will also examine the way Railtrack accounts for property profits and who benefits from any savings on track maintenance costs.

That this will entail using broadly the same methodologies as deployed by regulators in other industries should provide the marvendors a fixed sum even if the ket with a rare degree of certainty. auction flops, have made large cash It is now up to Railtrack to argue that its involvement in large construction projects, such as Thamesindividual with deep pockets, such link 2000, justifies a superior rate of

Power sale

Continued from Page 1

air pollution. The company has expanded rapidly since its formation in 1984, with plants worth about \$5bn worldwide. In October, it

The Massachusetts plants to be operated by Sithe will generate 2,800MW of electricity.

Commission seeks delay

FT WEATHER GUIDE

Continued from Page 1

scientists also suggested that the SRM ban could be applied to animals of less than six months. Ian Gardiner, policy director of the National Farmers' Union of England and Wales, said of the scientists' report: "It is impossible to ess what is the true risk. I wouldn't get out of bed if I

listened to these people." Meanwhile, William Hague, Tory leader, last night announced that his party

on the bone, claiming ministers had "over-reacted" to new scientific advice.

Final decisions on any additions to the SRM changes will be decided by member countries. The European Commission yesterday called for a further report by the scientists by

the end of next month. The committee also gave qualified backing for a scheme to allow the UK to resume exports of beef following the worldwide ban imposed in March last year, although an immediate lifting of the embargo is not in prospect.

This announcement appears as a matter of record only



Acquisition

HOLT LLOYD GROUP LIMITED

The undersigned initiated the transaction and acted as financial adviser to AlliedSignal Inc.



HSBC Investment Bank plc

HSBC Investment Bank pic Vintners Place, 68 Upper Thames Street, London EC4V 3BJ

November 1997

Regulated by SFA.

and a refit of plants to reduce

signed deals to build generating plants in China, the Philippines and Tunisia.

The sale is subject to state and federal regulatory

> **Europe today** Southern Scandinavia will have rain,

approval and is set to close in | would vote against the UK the first quarter of next year. government's plan to ban beef

heavy at times, while northern areas will have snow flurries. Eastern Europe will also have wintry show but will be a lot colder. The Low Countries, Germany, Austria, Switzerland and France will be mostly cloudy with rain, heavy in many parts. Spain and Portugal will have rain in the north-west edging a little east but most southern and eastern parts will be dry with plenty of unhindered sunshine. Central and stem parts of the Mediterranean will have sunny spells and a few

Five-day forecast

unsettled with showers becoming heavy and prolonged, especially in central and eastern parts. Eastern Europe will remain cold with further snow in many parts. Western Europe will be mainly settled with some sunshine in many places but also an increasing risk of fog.

Abu Dhe Accra Algiers Americanta Athens Atlanta B. Aires B.harn Bangkok Barcalons

Lufthansa

We wish you a pleasant flight.

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Railtrack

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Asset Consultants 0171 405 8411

COMPANIES & MARKETS

FINANCIAL TIMES

OTHE FINANCIAL TIMES LIMITED 1997

Thursday December 11 1997



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Korea to

lead Asian

push into

Task lies ahead for Swiss banks

The merger of Swiss Bank Corporation and Union Bank of Switzerland will create a "strong and profitable platform in the US", according to management, The merged investment banking business, Warburg Dillon Read, now faces the challenge of establishing itself on an equal footing with the top domestic investment banks in the world's largest capital market. Page 16

Freeport Copper & Gold to cut dividend

The fall in gold and copper prices has forced Freeport Copper & Gold, the US group, to cut its dividend payout by more than \$100m. James Moffett (left), Freeport chairman, described the move as "prudent" and said it would allow the company to maintain its exploration pro-

gramme. Freeport is the second big US miner to make such a move following last month's decision by Newmont Gold to cut its quarterly dividend from 12 cents to 3 cents. Page 22

Yen railies as Tokyo threatens action The yen rallied again as Tokyo officials threatened to intervene in foreign exchange markets to support their currency. Rumours that Japan would produce a Y10,000bn (\$77.5bn) package to help its banks also helped the yen move clear of the Y130 level against the dollar. Page 21

Land Rover to invest \$150m in Brazil Land Rover, the off-road vehicles subsidiary of the UK's Rover group, is to make its biggest foreign investment since being taken over by BMW of Germany in 1994. It will spend \$150m to assemble its workhorse Defender model in the

São Paulo state of)	orse Brazi	Derender model in t L Page 14	ne
Companies in t	his i	35 Ue	
Airtours	18	National Westminster	•
Alcan	2 2	Newmont Mining	:
Aicos	22	Old Mutual	1
Ashenti	22	PLDT	1
BellSouth	17	Pearson	. 1
Boston Edison	1	Pechiney	2
Bridge .	13	Piltel	1
Buenaventura	· 22	Primark	1
C8G	22	Raittrack 1	2, 2
Capel-Cura	18	Reynolds	2
Christie's 1	2, 18	Samsung	1
Comalco	22	Snecma	1
Coming	13	Société Générale	2
Delwa	20	Spectral Imaging	1
Doncasters	. 18	П .	1
Edison	13	Teva	1
Freeport Copper&Gold	22	Thomson	1
General Motors	12	Tianjin	1
Générale des Esux	1	Toshibe.	1
Haico	22	Triplex Lloyd	1
JCI .	18	VAW	2
J.P. Morgan	13	Veba ·	17
Lonrho	18	Walt Disney	į
Maran Maranasha	22 1	Westner	20

Market Statistics http://www.FT.con FTSE Actuaries share indices ♣Annuai raporta sarvica Foreign exchange Gilles prices Bond futures and options London share service Managed funds service Bond prices and yields Dividenda announced, UK New Intl band issues Eurobond prices Recent Issues, UK FT/S&P-A World indices FTSE Gold Mines index Short-term int rates World stock markets

CROSSWORD, Page 22

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AEA drops bid for Corning arm Asian turmoil cited as reason for withdrawal

By William Lewis in New York

Corning, the US-based manufacturer, yesterday brands such as Pyrex and announced the latest twist in Coming Ware – and in August its attempt to sell off its housesaid it had accepted a \$975m

hold product business when it was disclosed that AEA Investors, a private investment group, had withdrawn its bid for the operation. AEA said its decision was based on concerns about the

impact of the turmoil in Asian markets on consumer product sales next year. It also cited "sales softness in the business in the current

quarter as another reason for

In May, Corning announced plans to sell off its consumer business – which includes

Yesterday Corning said the cash offer from AEA for 91 per cent of the division.

However in October, Corning said it had amended the terms of the sales agreement with AEA to reflect slower bousehold product sales in the third quarter and a reduction in the forecast of earnings

growth rate in 1998. Corning said it had agreed to receive \$779m in cash plus \$21m in long-term debt. Corning would also receive up to an additional \$62m of long-term debt if performance targets

consumer housewares division was still up for sale and that Goldman Sachs, its investment banking adviser, would be soliciting for new bids.

Roger Ackerman, chairman and chief executive officer of Corning, insisted yesterday that its household products business was "very healthy". with year to date operating profits up over 50 per cent.

He added: "Corning's strategic reasons for the sale of its consumer housewares business remains valid and Corning will consider its alternatives with respect to the business, including pursuing a

Corning's consumer business division made sales of \$630m in 1996, of which 10 per cent came from Asia. Corning stressed that AEA's concerns centred on the impact turbulence in the Asian markets is likely to do to next year's sales

spokesman said. AEA declined The Corning spokesman said that the company did not expect the Asian market turmoil to have a significant impact on the rest of its business operations. Coming said

By Tracy Configen

trial companies.

J.P. Morgan, the US bank,

yesterday warned that its

fourth quarter earnings would be lower than expected, adding

fuel to growing fears about the

impact of weak Asian markets

on the profits of internation-

ally active banks and indus-

The news - following indi-cations from Oracle, the US

software company, and Corn-

ing, the US manufacturer, that

their profits were being

affected by the weak Asian

conomies - contributed to a

100-point slide in the Dow

Jones Industrial Average in

morning trading.
J.P. Morgan said its earnings

in October and November were

adversely affected by unset-

tled market conditions glob-

ally, resulting in lower levels

of client activity and lower

trading revenues". An official

declined to comment on which

October trading results.

J.P. Morgan's trading revenues

typically account for around a

Ron Mandle, bank analyst at

Sanford C. Bernstein, said that following the sharp falls in

Asian bond and equity mar-

kets in October, banks had

been further hurt by weak

trading volume in emerging

markets. "Client interest in

quarter of total revenues.

Global blow to

by JP Morgan

earnings signalled

rather than this year. "They

had seen Asia as contributing

future upside potential," the

sumer houseware were mainly due to the lack of new product launches during 1997.

housewares business followed its focus on high-technology businesses such as photonics, the lasers, amplifiers and other equipment that send signals down fibre optic pipelines of modern telecommunications. AEA is a New York-based

investment group founded in 1969 to purchase controlling interests on behalf of various investors, including chief exec utive officers of large public companies and wealthy American families.

Corning shares fell \$24 or 5.61 per cent to \$39% at mid session yesterday.

bonds has really tailed off" in

Last month, Chase Manhat-

tan announced a trading loss

of about \$160m in October as a

result of the sharp correction

Mr Mandle said he expected

fourth quarter earnings from

trading at Citicorp and Bank-

ers Trust to be more than 40

per cent lower than in the

third quarter and had down-

graded his earnings estimates

accordingly. Analysts fear, if

emerging markets remain

weak, 1998 bank earnings

However, Chip Dickson

bank analyst at Salomon

Smith Barney, said be was not

revising his forecasts as he

expected the continuing

impact on profits to be limited.

announced plans to repurchase

up to 7m shares - worth more

than \$800m at current market

prices - in order to reduce the

dilution of earnings caused by

Concern about weaker mar-

this year.

\$119.

emerging market stocks and per cent lower at \$127\frac{1}{2}.

Separately, J.P. Morgan

could come under pressure.

in Asian and other markets.

the fourth quarter, he said.

global bond Coming's decision to sell the markets

enter international bond markets on a large scale to refinance short-term debt obligations and emergency borrowings from the Interna tional Monetary Fund.

The Korcan Development Bank, which borrows on behalf of the government of South Korea, is expected to start with a \$2bn

Proceeds from the issue, which is expected to be leadmanaged by J.P. Morgan, will be used to roll over \$500m of KDB's short-term debt obligations due before the end of the

Analysts estimate that, in addition, about \$20bn of Korean private-sector short-term debt redemptions will fall due before the end of 1997. "Korea is going to have to pay quite punitive rates if it wants to raise this kind of money," said one banker.

Traders said the \$2bn bond which could still be postponed because of volatile market conditions, would be priced to yield a spread of between 3 and 4 percentage points more than three-year US Treasury

This is about four times the spread Korea was paying before the global markets crisis in late October.

The Korean bank is to hold a conference with investors in New York today to discass conditions for the bond

Indonesia and Malaysia are also talking to investment banks about issuing largescale dollar bonds in January. A US investment bank official said that Indonesia was hoping to raise about \$1.5bm to meet its immediate debt

areas of trading had been its employee benefit plans. It Malaysia's Export Import affected. A month ago, said it had bought back more

J.P. Morgan said it had "noththan 6m shares for its
ing material to report" on employee benefit plans so far

to meet dollar-denominated debt repayments.

Thailand is also expected to Despite the positive effect of

the share buy-back, shares in come to the market in Janu-J.P. Morgan fell 3 per cent to ary to help refinance borrowings from the recent IMF-led emergency package.

ket conditions in the fourth "Asian governments are for quarter hit the shares of other the first time going to be com-US banks, with Citicorp shares peting on a large scale with down 4.8 per cent while those Latin American governments for big ticket dollar funds," of Chase dropped 3 per cent to \$112%. Bankers Trust was 1 said a bond syndicate official

Turning the tide?

Tianjin shares rise 24% on their debut in Hong Kong

22 New offering's success may signal revival in red chips

Shares in Tianjin Development Holdings, the investment arm of the Tianjin municipal government in China, rose 24 per cent on their debut yesterday, signalling a possible revival of investor confidence in "red chips" in the Hong Kong mar-

Tianiin, which bucked a

4 per cent slide in the Hang Seng index, is the first municipal government to brave the markets since June when Beijing tightened guidelines for listing and injecting assets into red chips, the Hong Kong arms of mainland conglomerates or government agencies. Red chips have been particularly out of favour during the recent rout on the Hong Kong stock market. The index tracking the performance of red

November, and yesterday underperformed the main index to shed 5.76 per cent. The Tianjin issue is the first time a municipal government has come to market since the

into reverse in August. It could help pave the way for a fresh round of second-

ary cash-raising exercises by red chips, which have been returning to the market for funds shortly after listing in order to finance asset injections from their parents. Among those looking to

raise fresh cash are the companies of municipal governments in Beijing and Shanghai. Chongging will be the next red-chip offering, looking to raise around US\$200m next year. It will be the last of the four municipalities that report directly to the central government to come to market. Beijing Enterprises, the

investment arm of the capital city's government, saw its May listing coincide with a bull market and strong demand for chips fell 30 per cent in red chips in particular. Its shares more than trebled on their debut on May 29.

Shares in Tianjin Development closed at HK\$8.20 yesterday, compared with the issue

By Louise Lucas in Hong Kong Hong Kong stock market went pitched in the middle of the indicative range rather than at the top end, as has previously been the case with red chips.

"Everyone thought we were crazy to go out in the market [now], but investors said they had a lot of cash and were willing to buy, but only at an attractive price," said Jay Chandler, a director of equity capital markets at Merrill Lynch, co-sponsors to the Tianjin issue along with Orien-

tal Patron.

The recent performance by red chips has made pricing of new offerings a sensitive issue. China Telecom, the last red chip to come to market in October, was seen by some as excessively expensive on a price/earnings ratio of more than 30 times. Tianjin Development was priced on a p/e of around 10 times.

Mr Chandler said pricing red chips correctly was critical to promote a strong performance company could return to investors for further cash to finance

price of HK\$6.60. The price was asset injections at a later date. Media groups show interest in Primark financial data unit

By John Gapper in London and William Lewis in New York

Pearson, the owner of the Financial Times, is among several media companies that have expressed an interest in a financial information business that could be sold by the US company Primark for more than \$1bn.

Thomson, the Canadian media group, and Bridge Information Systems, owned by US investment firm Welsh, Carson, Anderson and Stowe, are also thought to be among those interested in examining Primark's financial data

Primark disclosed this week that it had appointed the US investment bank BT Alex Brown to review options. Primark declined to comment on which companies are interested in the sale.

The company is thought to have offered its entire business for sale this year, but rejected

Jones Inc, the parent company of the Wall Street Journal, has indicated it is considering selling Dow Jones Markets, its financial data subsidiary. Competitors in what is an

increasingly global market have faced difficulties in building a critical mass of historical and analytical information on a range of financial markets that brokers and investors can use easily.

Datastream, the database group, and ICV, which distributes time share prices on Topic screens in London. In the US it owns Ibes, which provides earnings forecasts, and the Baseline financial database.

Primark was built up by Josephy Kasputys, its chairman and chief executive, from defence information group Tasc. which was sold to Litton Industries for \$432m this week. It bought London-based ICV for \$105m a year ago.

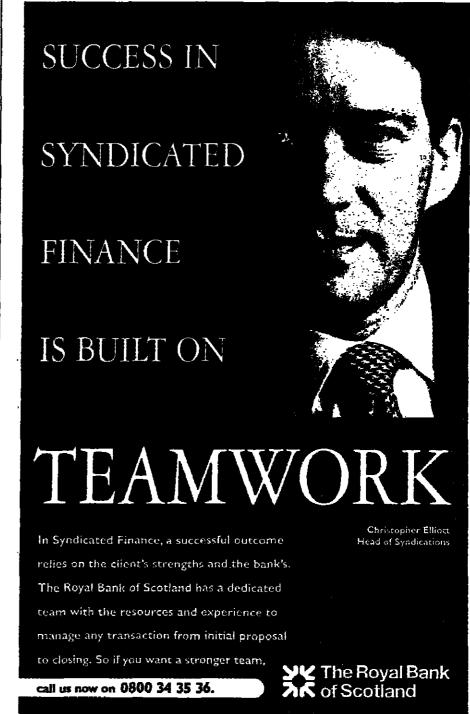
The sale of Tasc, which handies classified information, is financial information. Dow other businesses, Primark is plans to pay down.

also selling Prime, its aircraft maintenance subsidiary. Although Pearson has indi-

cated interest, its directors are thought to be sceptical about the value of some US businesses owned by Primark. These include Disclosure, which distributes Securities and Exchange Commission Marjorie Scardino, Pearson's

chief executive, has suggested Primark operations include she wants to invest more heavily in selected activities. Apart from the Financia Times, its financial information division includes the products FT Extel and FT Profile. Reed Elsevier, the Anglo Dutch publishing company that has considered expanding into financial information, is a further possible contender. But the financial information group Reuters could face UK

competition constraints. Competitors say that Primark failed to integrate an array of financial information products on a single technology platform. It has grown rap-The move is further evi- seen as having removed a idly in recent years, and built dence of restructuring in block on the sale of Primark's up \$350m of debt, which it



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Land Rover to invest \$150m in Brazil

By Haig Simonian, Motor industry Correspondent

Land Rover, the off-road vehicles group, yesterday announced its being taken over by BMW of Germany in 1994.

It will spend \$150m to assemble Paulo state in Brazil. Production rate of 2,000 units a year, but could

The decision is an important step cessful operation. Land Rover out- rates to protect the currency put is expected to rise from 130,000 against speculators.

units this year to almost 200,000 in 1998 with the launch of the Freelander in January.

BMW, which was first attracted subsidiary of the UK's Rover to Rover by its off-road subsidiary, believes there is considerable biggest foreign investment since potential to expand Land Rover sales through new models and

However, the timing of the Braits workhorse Defender in São zilian move - which had been aired but officially denied almost a year should start late next year at the ago - and the size of the investment surprised analysts.

Vehicle sales in Brazil have fallen sharply in recent weeks after in the growth of Rover's most suc- the government raised interest

The interest rate rise resulted in existing plant in São Paulo's indussumer credit, used to finance the further.

lion's share of car sales. well ahead of 1996.

Observers were perplexed by the

The total workforce will be 800. the factory would be built in an under licence.

a steep decline in demand for con- trial belt, limiting the likely cost

Rover said the investment In spite of the downturn, new car included spending to upgrade deal- ate plans to re-enter the car marregistrations this year should be erships. It added that the announcement was timed to coin-Sales in the first 10 months were cide with the government's deci-22 per cent above the previous sion to grant Land Rover official year. Sales of Land Rovers are status as accredited automobile expected to jump from 403 to 1,100 manufacturer - essential for import quotas.

Rover said the Brazilian vehicles size of the investment, given that would achieve 60 per cent local the Brazilian vehicles will be built content in four years. Engines from kits exported from the UK. would probably come from Maxion, a local manufacturer which Brazilian press reports suggested already builds Land Rover diesels

Ocean Spray takes

50% of juice group

Land Rover returned to Brazil in 1995 after a tortuous legal battle over ownership of its local trademark. Rover said it had no immediket, although that could happen

BMW has been looking at Brazil more closely since the economy recovered in the 1990s. Last year, it announced a joint venture with Chrysler to build 400,000 petrol engines a year at a new plant near Curitiba

BMW's Brazilian subsidiary, set up in 1995, now has 36 outlets selling BMW and Land Rover vehicles. Sales surged 25 per cent to 4,653 in the first 10 months of this year.

image, and Nantucket Nec-

tars adopted the slogan:

"We're juice guys. We don't

Mr Scott says the company

The company plans to join

deals from suppliers, and

that we will continue with

same headquarters," says Mr

Scott. "There will be abso-

Earlier this year, Nan-

tucket Nectars signed a deal

to provide juice to the coffee

rejected numerous offers

that would have forced Nan-

wear ties to work."

INTERNATIONAL NEWS DIGEST

TCI signs three cable alliances

Consolidation of US cable television continued yesterday with the announcement of three new partnerships, all including Tele Communications Inc, the industry leader. TCI is to swap subscribers with Century Communications, a leading provider in California, Denver-based US West Media, and Multimedia Cablevision. The deals, part of a TCI-inspired drive to reduce debt and create large clusters of customers from scattered holdings, will affect almost 2.5m households in California, Florida, Illinois, Indiana and Kanses. Financial details were not disclosed.

TCI also unveiled plans yesterday to launch 12 Spanishlanguage cable networks next spring to serve the nation's largest linguistic minority. It said it was preparing six further offerings for this group.

■ PHARMACEUTICALS

The US Food and Drug Administration has approved Eli Lilly's osteoporosis treatment, Evista, for marketing. Osteoporosis affects more than 28m Americans, mainly women, the company said. Evista is the first in a class of new drugs called selective oestrogen receptor modulators to be approved by the FDA. It is expected to be available in early January. Eli Lilly has applied to market Evista in Tracy Corrigan, New York more than 30 countries.

UNIT TRUSTS

State Street buys BoS business

State Street, the investment management and custody group, is to buy the unit trust trustee business of Bank of Scotland in a move to increase its assets outside the US. At the same time, State Street Global Advisers, announced a joint venture with Mediolanum group, the fourth largest life insurance company in Italy. The ven-

The Bank of Scotland deal, which adds about £13bn

The sale signalled Bank of Scotland's intention to withdraw from the global custody business, which is increasingly dominated by a handful of huge firms. It said yester

INDUSTRY

■ FRANCE

Watchdog opens casino inquiry

the US, announced yesterday it was acquiring a 49 per cent interest in a new independent power plant being built in Chennai, in southern India. The stake is being purchased from the GMR Vasavi group, an Indian conglomerate, which began construction on the plant this year and remains the project developer.

Christopher Parkes, Los Angeles

Eli Lilly wins Evista approval

ture will target the pensions market in Italy, where the sovernment is trying to move away from state provision.

(\$21.4bn) to State Street's \$3,800bn assets under custody, is the group's first foray into the UK's trusteeship market Under the terms of the deal, State Street will take fiduciary responsibility for the bank's assets. Boston-based State Street is keen to expand into Europe.

day that there would be "no material financial effect" on the bank's consolidated accounts from the sale.

Venezuelan plant for BHP

Broken-Hill Proprietary (BHP), the Australian resources group, has begun construction of a \$780m hot briquetted iron plant in south-east Venezuela, marking a wave of international investment in the country's opening metal industry. The Orinoco Iron plant, a joint-venture between BHP and Venezuela's International Briquette Holding, an affiliate of steel producer Sivensa, is to produce 2.2m connes of HBI by 2001, most of it for export.

World demand for HBI, which is used in steel production, is increasing as the supply of high quality scrap metal is insufficient to meet growing demand of electric steel-making and new mini-mills coming on line.

Venezuela is using foreign investment to become the world's leading exporter of HBI by boosting production from an estimated 4.7m in 1997 to about 9.5m tonnes by 2002. Raymond Colitt. Caracas

SFCMC, the Cannes casino operator, yesterday launched a FFr266m (\$44.3m) rights issue on the day the French stock market watchdog said it had opened an inquiry into the company and drew investors' attention to a warning by its auditors about its accounts. The Commission des Opérations de Bourse said it launched an investigation into the financial information produced by SFCMC and its directors, as well as into movements in the company's shares from the start of this year.

The auditors stated their reserves over the valuation placed by SFCMC on the shares in the Hotel Gray d'Albion in its accounts. Partouche, the casino operator which holds 30 per cent of SFCMC, said it would not subscribe to the rights issue. The Barriere-Desseigne family, which controls 55 per cent of the shares, said it would underwrite up to FFr200m of the issue. Andrew Jack, Paris

CMS buys 49% of power station

CMS Energy, the fourth largest gas/electricity utility in

The plant is scheduled for completion in early 1999.

AIG raises \$1.53bn for Asia

By John Authers

In New York

American International Group, the largest US insurer, yesterday said it had raised \$1.53bn for an infrastructure fund to invest

in Asia. The announcement follows increased efforts by AIG, which has extensive international operations, to sustain its activities in Maiaysia, where Dr Mahathir Mohamad, prime minister, is resisting demands by trade negotiators that foreign insurers should be allowed to keep all their investments in the country.

It appeared to signal that the company, based in New York but with its roots to China, wanted to emphasise its support for Asian econo-

AlG is sponsoring the fund, while GIC Infrastructure, an investment affiliate of the government of Singapore, will be the principal investor. It will be managed by a Bermuda partnership owned by subsidiaries of

AIG and GIC. AIG said a total of 17 institutional investors had made commitments to the fund. "There is continuing appreciation that the future growth of the Asian economies will depend to a significant degree on infrastructure development," Hank

Greenberg, chairman, said. He added that the "substantial" commitment reaffirmed the confidence of AIG and other institutional investors in the long-term

growth prospects for Asia. The fund will invest in equity and convertible debt infrastructure investments, with more than half of the fund invested in China and India. The balance will go to some of the countries which have been worst hit by the recent currency turmoil, including Indonesia, Malay-sia and Pakistan.

AIG launched a similar Asian infrastructure fund three years ago which raised \$1.1bn and is now nearly fully invested. Many of the investors in the first fund are repeating their commit-

ment in the new venture. The Emerging Markets Partnership, an asset manager based in Washington. will be the main investment adviser. It is chaired by Moeen Oureshi, a former prime minister of Pakistan, while the managing partner is Donald Roth, a former treasurer of the World Bank and chairman of Merrill



Russia's UES to

fastest-growing businesses in The world's largest producer of cranberry products, Ocean Spray, has taken a 50 per cent stake in Nantucket

Nectars, the juice concern that has achieved near-cult status in the US because of its phenomenal growth and Scott's rise as a key market- its independence. alternative approach to mar-

keting. The deal preserves Nantucket's independence and allows the company's two copresidents, Tom Scott and

They became an inspiration to aspiring entrepreneurs when they turned their home-blender operation into a company with \$50m in sales within a few years. Last year, Inc magazine events. named the group one of the

Mr Brevnov estimates the com-

pany can save about \$5bn-\$6bn a

year simply by reforming manage-

Mr Brevnov said UES would later

sell a second package of subsidiaries

- the construction and repair compa-

"It will take us a little bit more

He said UES was also seeking

One of three projects on offer will

Analysts say UES is seeking a

broader strategic link with a western

company - a view backed by recent

meeting between UES leaders and

groups such as Enron, of the US, and

UES would be following in the

footsteps of Russian giants such as Gazprom, the world's largest natural

gas producer, which last month

clinched an alliance with Royal

be a hydro-electric power station in

business of electricity generation.

Pskov, north-western Russia.

Electricité de France.

time to prepare them for sale," Mr

nies owned by the electricity giant.

ment practices.

Brevnov said

the country. However the company has

not revealed its profits and no details on the price paid by Ocean Spray were dis-

Nantucket Nectars has used the story of First and tucket Nectars to relinquish ing tool

The two launched the forces with Ocean Spray on juice business during a quiet purchasing to obtain better winter on the resort island of Nantucket, off the coast of may collaborate in other Massachusetts, where they areas. "The main thing is Tom First, to remain in lived as self-described beach bums" after gradua- the same team under the ting from university, same management at the Because big chains would not take their bottled juices, they began selling to small, corner stores, and from trucks during university

Sidek asset sale sell 101 subsidiaries plan gains support

lutely no lay-offs."

By Henry Tricks in Mexico City

Two years after defaulting on \$2.2bn of debt, Sidek, the troubled Mexican tourism and real estate conglomerate, has won the backing of most of its main creditors for a restructuring plan to liquidate \$1.3hn of assets.

Luis Rebollar, chief executive, said the sale of assets would take place over five years, and he dismissed fears that opponents of the deal, including international bondbolders,

could block it. "There's an orderly sale of assets

Sidek, based in Guadalajara, was

the first big company to default after

Mexico's 1995 financial crisis. It had built up investments in hotels, marinas, golf courses and time-share developments that became unprofita-Mr Rebollar said a formal restructuring offer would be sent to creditors this month. It would ask them

ties in exchange for participation certificates in a trust made up from proceeds of the liquidation sales. The offer would end on January 30,

For it to work, at least 95 per cent of creditors must agree to the plan. Some, especially international bondholders, are said to be reluctant to take part."There are simply not enough assets to pay creditors," said an analyst close to them.

One stumbling block is that unsecured creditors, including foreigners. are last in line for payment. Accordor there's bankruptcy. There's no ing to a Sidek document issued to other way out," Mr Rebollar said. shareholders, secured creditors will Bankruptcy proceedings could tie up the 250 subsidiaries for years. have first rights to 78 per cent of the proceeds of each asset as it is sold.

The secured creditors include 17 Mexican banks that hold \$1.5bn of Sidek debt. "The Mexican creditors are in agreement. That's 75 per cent right there," Mr Rebollar said. Owners have tried to insulate

ble when the peso collapsed in 1994. Simec, the group's profitable steelmaker, from the creditors. Mr Rebollar was due to present results of a \$324m debt-restructuring plan at to surrender \$1.95bn of debt securi- Simec yesterday.

Tenneco warns on fourth-quarter profits

By Nikki Tait

By Chrystia Freeland

Unified Energy Systems, Russia's

national electricity monopoly, plans

to begin next week to sell 101 subsid-

iaries unrelated to its core business.

The sell-off will cover a range of

activities, including poultry farms

and commercial banks, in the north

"We hope to get rid of this ballast

as soon as possible," said Boris Brev-

with the Financial Times yesterday.

"For specialists they could be good

The sales are part of a broader

restructuring being engineered by

Mr Brevnov, a 29-year-old former

Mr Brevnov was brought into UES

earlier this year as part of the Krem-

lin's campaign to reshape the

behemoths of the Soviet economy.

He has already cut 10 per cent of

UES's regional managers and more

than half the staff in the company's

businesses, but they distract from

our main line of work."

commercial banker.

Moscow headquarters.

nov. UES chairman, in an interview

almost 10 per cent yesterday after the company warned that a "weaker-than-normal" aftermarket for parts and delayed pricing benefits in

Shares in Tenneco, the US continuing operations of usual. packaging and automotive 40-45 cents - almost 30 per

Dutch/Shell.

casts of about 62 cents. The shortfall was blamed events", which Mr Mead said its containerboard were partly non-operational operations would result in The US aftermarket for autofourth-quarter profits well motive products is tradition- about half Tenneco's sales.

launch of two products - a on the "simultaneous occur- muffler and a shock ance of several unrelated absorber - in January. lar is expected to hit non-US

earnings per share from its found sales softer than He also suggested some

In addition, the strong dolbusiness, which accounts for

Dana Mead, chairman, ter, but the Tenneco chair- side, Mr Mead said that the said the company expected man said the company had company had phased in box Street forecasts of \$3-\$3.35 a price increases in November, but would not see the full benefit until the first quarter products group, slumped cent below analysts' fore- customers might be delaying of 1998 - slightly later than purchases ahead of the most analysts were antici-

> The company would also face "small non-recurring costs" related to a restructuring and an asset sale. Mr Mead stressed that the outlook for 1998 had not

share for full-year earnings next year. He suggested results

would be bolstered by the strengthening paperboard market and a range of product launches on the automotive side. By late morning, Ten-

neco's shares were trading at \$40%, down \$313.

Lex, Page 12 Business television in Asia receiving mixed signals

ABN and CNBC Asia are joining forces, but it remains unclear whether there is a market for English-language programming he battle for Asia's the two US groups, Dow business television Jones and NBC, the latter owned by General Electric. prompted this week's ABN-CNBC Asia merger, leaves one big question: is it a bat-

tle worth winning? not going to get rich doing idea that profits could be English-language business programmes, even before the financial turmoil that the region in general has seen recently," says Susan Schoenfeld, president at AIM Asia, a media consultancy. Consolidation in other

parts of the industry, with

the merger of sports chan-

nels Star Sports and ESPN,

had already signalled that

only slim pickings were on

offer. Consultants say more

consolldation might yet For ABN and CNBC, the merger is aimed at strengthbuilding on the combined market share. The deal was

"It will accelerate our move into the black," says one executive of the merged ABN-CNBC company, "Everyone realised you are although he dismisses the achieved before 1999.

In theory, the target market is lucrative: Asian business executives who would switch on for their daily dose of market and business information in English. In practice, this has

proved a hard target to hit. They were looking at the same top 5 per cent Richard Li looked at in 1991 when he launched Star TV. He figured it was not there, and he had five channels plus partnerships and was more audience-focused. CNBC had two channels that did not ening their position and have a clear objective," says one consultant.

Arguably, it was the expe-

masterminded the sale of as Mandarin and Hindi.

Pan-Asian business television channels have failed to attract large numbers of viewers and advertisers Star TV to Rupert Murdoch's Star TV also pre-dated News Corp in July 1993, that ABN in its endeavours to exploded the myth of pan- boost non-advertising reve-Asian TV. Shortly after the nues. Success has been sale, the strategy of patchy: ABN failed to targeting Asia's top 5 per achieve its aim of a 50-50 cent viewers with English split between subscriber rev-

markets such as the US have as airlines, telecoms and luxnot managed this. Heavy reliance on advertising brought its own prob-

lems. Advertisers have tended to shun the medium because of its lack of focus and unsuitability for local part of a bigger merger of rience of Richard Li, the language programmes was enues and advertisers - but products. Those who do sign the European and Asian younger son of Hong Kong jettisoned in favour of as Ms Schoenfeld points out, up are largely from the few up are largely from the few business news channels of tycoon Li Ka-shing and who regional languages, such even operators in developed truly pan-Asian fields such

ury brands. Even then, buyers have been uncomfortable booking spots on CNBC, which was felt to fall between two stools - lacking a substantial Asian fran-

chise, but not sufficiently international in the way that CNN is.

at J. Walter Thompson Hong multinationals, which have Kong, says: "ABN is more focused and Asian-oriented more appropriate for companies such as Singapore Airlines which are seeking to convey an Asian image.

"CNBC is very new. It claims the highest distribution numbers, but it is questionable to me. By contrast, a reason to support ABN is its Dow Jones background. which makes it more credi-

ing is set to become even more fierce in the wake of the financial tur- should see a substantial benmoil sweeping Asia. "Undeniably, it will be tougher." says Karen Elliott House. president of Dow Jones & Co prove to be an elusive Shan-International But she adds the crisis has increased the need for business news, is not big enough for two while the merged group English-language business should be in a stronger posi- broadcasters. They have yet tion to win market share.

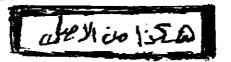
Paul France, ABN chief one. Rita Lam, media manager of advertising clients are

been less affected by the turmoil as the bulk of their revenues are outside the region. "We are reasonably confident that we won't be affected by the meltdown in some markets as much as other regional companies." Given the uncertain mar-

ket prospects, however, the cost side of the equation is arguably more compelling. By decamping to ABN's base in Singapore, the group will cut out Hong Kong's high he fight for advertise rents and salaries. Add the reduction in staff of more than 200, and the bottom line efit once restructuring charges are booked.

Yet even Singapore could gri-La.The ABN-CNBC merger underlines that Asia to prove it is big enough for

Louise Lucas



THURSDAY DECEMBER 11 100

MUL-EMBRACHE EXPERTISE

Trying to be 'all things to all people' may work as a strategy in some markets, but in today's investment banking business it seemed to us to lack focus.

And focus is what Barclays Capital is all about. We aim to concentrate our resources and expertise to provide more integrated solutions across the spectrum of debt, lending and risk management products.

More often than not, those solutions will be innovative rather than conventional. Why? Because increased focus leads to a far greater and more constructive partnership between ourselves and our clients. It also enables us to bring to bear the full resources of the Barclays Group to do things that haven't been done before.

So, instead of spreading our resources too thinly, we can become more expert at the many things we do now. Not simply by focusing on what we do best, but by being the best at everything we do.

Barclays Capital. Focusing our resources to focus on our clients' business.

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And in 15 other cities across the world

Burger King cooks up fries offensive

in New York

Burger King, the Miami-based fast-food company, yesterday opened another front in the burger wars by launching an improved said they preferred the taste of its version of its french fries under the slogan: "The taste that beat McDonald's fries.

ram home Burger King's attack on its bigger rival at a time when McDonald's is already reeling from a string of disappointments in the

US market. Burger King's new fries are made with a coating the company claims makes them crispier and tastier and keeps them hotter, longer - an important factor because 75 per cent of Burger King's customers

take food away. Until now, the widely-accepted view in the US burger industry has been that Burger King's "flamebroiled" Whopper is the better-tasting burger, but that McDonald's

Britain's Grand Metropolitan claims that in independent taste tests conducted in 18 cities across the US, 57 per cent of consumers

new fries, compared with 37 per cent preferring McDonald's. The company said the remaining The launch appears calculated to 8 per cent of consumers expressed no preference.

> Yesterday, Jim Watkins, senior vice-president of marketing for Burger King North America, said: Until now, our fries were not up to our standards of superior, bet- margin, and these studies also ter-tasting food. Now, we can honestly say that Burger King is the best place for burgers and fries."

Burger King said it had spent two years developing the coated fries. The company said the details of the technology were secret, but the fries were all-potato and contained no common allergens, such

as whey or gluten. The fries are already being sold share.

nakes the better-tasting fries. in Burger King's 7,414 US restau-However, Burger King – a unit of rants and will be introduced to its 1,986 overseas outlets shortly.

Burger King is spending \$70m to advertise and promote the fries the biggest product launch in its

McDonald's shrugged off Burger King's announcement, saying there was nothing new about coated fries. "We are used to people playing catch-up. We don't think its going to happen," it said.

"Our research shows us that people overwhelmingly prefer McDonald's fries by a three-to-one show that people are sceptical of anyone who claims they have a better fry than we do because they regard McDonald's fries as the gold standard of the industry."

Nevertheless, Burger King's move is likely to increase the competitive pressures in the US fastfood industry at a time when McDonald's has been losing market



Taste test: Burger King claims 57% of consumers prefer its 'coated' fries

Merged Swiss banks eye the American pie

The merger of Swiss Bank Corporation and Union Bank of Switzerland will create, according to management, a "strong and profitable plat-form in the US". The claim is modest but accurate,

according to analysts. Warburg Dillon Read. as the merged investment banking business will be known, still faces the critical challenge of establishing itself on an equal footing with the top domestic investment banks in the world's

largest capital market. Swiss Bank Corporation has achieved a strong position in some areas through acquisition - O'Connor in the derivatives market and Dillon Read in mergers and

Nonetheless, analysts say they are encouraged by its successful record in integrating acquisitions and its relatively strong brand names. "They've assembled, at least on paper, some good assets," says Michael Lipper, of Lip-per Analytical Services.

Analysts are more dubious about UBS's record. While it has made inroads in bond underwriting, analysts point out that this is an area where market share can be investment in building the business organically, UBS still lags behind strong US institutions. "I don't think

"having good credit and lots of capital".

Like Deutsche Morgan Grenfell, part of Deutsche Bank, UBS has been criticised by others in the industry for hiring staff on guaranteed bonuses, racking up overheads and inflating employment costs for the

UBS has been "one of the more controversial bidders" in the jobs market, says one investment banker. He adds that UBS's record is an example of "how not to build bought. Despite heavy in the US", citing the lack of a common culture to build on and frequent management change

Even with extra firepower anybody thinks of UBS as a as a result of the merger, leader [in the US market]", real penetration of the US says Mr Lipper, though he market is far from assured. but makes little showing in adds that it is viewed as The only European bank to

banking elite - is Credit Suisse, but that was through one large acquisition, First

Deutsche Morgan Grenfell, probably the furthest advanced among the latest influx of European commercial banks, is still investing in building its business, and others, such as Barclays de Zoete Wedd and NatWest Markets, have pulled back. It is a pattern seen before -Warburg, for example, tried and failed to build a credible US business prior to its

acquisition by SBC. The strategy of the merged business is to expand in equities and high-yield bonds. The firm has not ruled out an acquisition, but

date to have gained a position in the US "bulge" some time, given the task of bracket" - the investment integrating the businesses. One important issue, according to analysts, is

what kind of leadership the US business will have. That decision has not yet been made, and officials say no announcement is expected until after the shareholder meeting early next year. But analysts say they are encouraged by SBC's record

of promoting strong managers from acquired businesses: Gary Brinson, for example, who joined the firm following the acquisition of Brinson Asset Management, the US fund management company, will run the merged firm's global asset management business. If the firm's management

into stepping up their attack on the US investment banking industry with some

its options are shrinking

Donaldson Lufkin & Jen-

rette, with its strong domes

tic position, would fit well,

but may not be for sale. Leh-

man Brothers and Paine-

Webber would meet some of

its needs, though the overlap

with Lehman Brothers out-

side the US would require

further painful retrench-

the merger of the two Swiss

banks may goad US commer-

cial banks such as Chase

Meanwhile, say analysts,

as consolidation continues.

acquisitions of their own.

Tracy Corrigan

INTERNATIONAL NEWS DIGEST

Frontline stalls Astro-ICB deal

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The \$309m merger between ICB Shipping of Sweden and Astro Tankers, the privately owned Greek shipping com-pany, has been stalled by a legal challenge from Frontline, the Bermuda-based group behind a SKr3.22hn (\$410m) hostile hid for ICB. Frontline, which has argued that the Astro deal flouts Swedish company law, has filed a lawsuit with the Stockholm district court to prevent the merger taking place.

. The action has forced the PRV, Sweden's patent and register authority, to halt the issue of new shares by ICB as part of the Astro deal. ICB, in a bid to frustrate Frontline, had planned to issue 11.85m new shares to Astro's owners, the Angelicoussis shipping family.

Lawyers acting for Frontline yesterday said the PRV would not approve the share issue until the legal action had been resolved, and predicted the case might not come to court before next autumn. "Until the case is completed the [Astro] deal cannot go through," said one Frontline

Frontline has offered SKr115 a share in cash for ICB's most commonly traded B shares, and SKr130 a share for its voting A shares. It has already acquired 51.7 per cent of ICB share capital and 31.4 per cent of the voting rights. Investors owning a majority of the voting rights, however, have already approved the Astro merger. ICB's B shares vesterday closed down SKr2 at SKr105, while the A shares Tim Burt, Stockholm were unchanged at SKr140.

■ FRANCE Saint-Gobain sells stakes

Saint-Gobain, the French glass, ceramics and abrasives manufacturer, yesterday took the first significant step towards fulfilling its pledge to unwind its cross-sharehold ings with other French companies. It sold 600,000 shares in the utilities group Générale des Eaux, cutting its stake from 9.6 per cent to 9 per cent, and 750,000 shares in the insurance group Axa-UAP, reducing its holding from 0.45

per cent to 0.22 per cent.
The disposals, which Saint-Gobain said would generate FFr200m-FFr300m (\$33.29m-\$49.8m) in capital gains, were not in the groups that many had expected. Jean-Louis Beffa, chairman, said in April he would reduce crossshareholdings, but placed particular emphasis on the holding company Suez. His decision indicated a preference for Générale des Eaux over Suez following its merger with the rival utilities group Lyonnaise des Eaux which had the effect of diluting Saint-Gobain's stake. Mr Beffa said at the time he would "significantly" cut his Suez participation. The company said yesterday that it had not sold shares in either Suez or another cross-investor, BNP.

Générale des Eaux said it had reduced its reciprocal stake in Saint-Gobain by a similar amount over the past few months, and did not expect any further changes in the cross-shareholdings. Andrew Jack, Paris

NEW ZEALAND

DB Group advances 15%

DB Group, the New Zealand brewery and liquor group, lifted annual earnings before interest and tax by 15.4 per cent to NZ\$38.8m (US\$23.18m) due to a policy to meet market demand with premium beers and better quality wines and spirits. DB Group, which is controlled by Heineken and Singapore interests, also announced that its after-tax profit fell 5.8 per cent to NZ\$28.6m because of the company's decision to change its capital structure.

Eric Korthals Altes, managing director, said the result was excellent given the decline in volume sales of beer and spirits and extremely competitive markets. Group sales for the year were NZ\$647.6m, compared with

■ PAKISTAN

PIA looks for savings

Pakistan International Airlines, the state-run carrier, said it had incurred a loss of 4.79bn rupees (\$108m) in 1996-97. Shahid Khaqan Abbasi, chairman, said: "The crisis situation has been reached as a result of years of complacency, loss of direction, neglect of consumers, inadequate invest-ments in core activities and heavy investment in non-core He said that with rising operational costs because of an

ageing fleet, PIA had to cut costs, reduce employees and pursue new revenue enhancement activities. He said an estimated 3bn rupees would be saved in 1997/98 through cost cuts while a further 2bn rupees would be raised by revenue enhancement measures. He added that a fleet replacement programme had been launched, due for completion by March 1999.

Reuters, Karach

■ ACCOUNTANCY

Coopers & Lybrand ahead

Coopers & Lybrand, the Big Six accountancy firm seeking a marger with Price Waterhouse, yesterday announced an increase in worldwide revenues to \$7.5bn for the year to September - up 10.7 per cent from the \$6.8hn of the previous year. The growth rate is towards the lower end of that enjoyed by the sector but Coopers said this was caused by currency exchange rates.

At constant rates, fees would have been \$7.8bn - up 14.7 per cent. Growth rates varied geographically with the UK recording 22 per cent, the US 18.4 per cent and Europe overall 6.1 per cent. The firm said the European results were affected by the strong dollar.

The firm's merger submission is with competition authorities at the European Commission and is likely to be scrutinised by US regulators.

JAPAN

Toyota delays hybrid car launch

Toyota, the Japanese carmaker, has had to delay the national launch of its hybrid car, the Prius, by about 10 days to ensure that the car is up to quality standards. Toyota played down the delay of the Prius, which was scheduled to be in Toyota showrooms around Japan yesterday, and said it wanted to make sure that everything was up to standard when the world's first mass-produced hybrid car, goes on sale. "It is not unusual for a new vehicle not to be available at all showrooms initially," it

The hybrid car, which reduces emissions by using a combination of petrol and batteries, has attracted more interest than Toyota had expected. According to industry estimates Toyota has received advance orders for three times the monthly sales target of 1,000 units.

Toyota has set a price of Y2.1m (\$16,000) on the Prius, which compares with Y1.65m for a comparable, conven-

■ GERMANY

Short-list for Berlin airport

German authorities yesterday announced they would select a new owner for the Berlin airport system from a short-list of four consortia. BAA, the UK airports operator, has not been short-listed. Airports Group International of the US heads one of the groups; Copenhagen airport and Bechtel International lead the second; ABB, Siemens and Frankfurt airport are involved in the third; and Vienna airport and Dresdner Bank head the fourth. Michael Skapinker, Aerospace Correspondent

Morgan Stanley & Co. Incorporated and Banco Omega advised the Government of the State of São Paulo in the valuation, modeling and execution of the sale of 67.60% of the voting shares of the Companhia Paulista de Força e Luz - CPFL.

A Consortium formed by Máxima, SBC Warburg Dillon Read Inc.,



The sale of this stake represents the largest privatization of an electric utility company in Latin America to date.

This stake was sold for

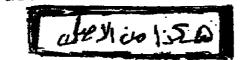
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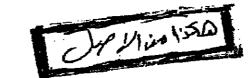
SBC Warburg Dillon Read Inc. MORGAN STANLEY & CO.

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COMPANIES AND FINANCE: INTERNATIONAL

MYONE NEWS DIGEST

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Rescue deal for PLDT's cellular unit

the largest telecommunications group in the Philippines, yesterday announced a 4bn pesos (\$114m) rescue deal for Piltel, its cellular phone subsidiary, following the collapse of an alternative buy-in

However, analysts warned the parent company was stretching its balance sheet to fund the purchase. Shares in PLDT fell 6 per cent to close at 870 pesos, while shares in Piltel, which were trading last week at 3.85 pesos, rebounded 6 per cent

Under the agreement, PLDT will purchase about 655m shares in Piltel in two tranches at 6.1 pesos a share. It said its "equity infusion into Piltel is intended to assist Piltel in meeting its

obligations". Piltel needs funds to payoff short-term debts.

The rescue deal will increase PLDT's stake in the cellular phone group from 31 per cent to 58 per cent. It follows the announcement last week by Philcom, a local telephone company, that it would not go ahead with the 20 per cent stake in Piltel because of "turbulent" market conditions.

14.25 pesos.

research at brokers Indosuez position.

pointment at PLDT's move. "The reality is that Piltel has had a lot of problems

and most have stemmed from management," she said. "We really need a management in there with experience of successfully managing a cellular phone operation, either internation ally or in the Philippines. With PLDT stepping in, there won't be much of a change

Piltel. which until this year was the leading cellular phone operator in the Philippines, has been hit hard by delinquent subscribers. Last year, it wrote off

85,000 subscribers, or 20 per cent of its customer base. ING Barings, the broker, said Piltel's gearing would fall from 183 per cent to 138 per cent following PLDT's purchase of shares.

But it said the group would be reporting losses of about 500m pesos this year, after foreign exchange losses and write-offs of delinquent subscribers. Analysts warned PLDT

might need to launch a rights issue to finance the purchase of shares. Its gear-5.17bn pesos acquisition of a ing would shoot up from 145 per cent to 182 per cent after the purchase, said one.

"PLDT will need to borrow When Philcom agreed to and it already has quite a buy into the company in stretched balance sheet. It April at 20 pesos a share, may be forced to cut down Piltel shares were trading at on its capital expenditure rather than paying off debt Alex Connor, head of and improving its financial

majority-owned by the state. In response, Ron Sommer Deutsche Telekom chairman, yesterday promised customers "a surprise every month" in 1998. Speaking at a ceremony to

mark the modernisation of telecoms networks in eastern Germany, Mr Sommer also said Deutsche Telekom would halve the cost of long-distance calls to the US and France between Christmas and the New Year.

discusses

stake in

telecoms

By Ralph Atkins in Bonn

elecoms operation.

January L

this year.

iary, begins gearing up for

man telecoms market from

O.tel.o is owned jointly by Veba and RWE, the Essen-

based industrial conglomer-

ate. But a 22.5 per cent

stake was reserved for a

future international partner

after Cable & Wireless, the

UK-based telecoms com-

Other possible US part-

ners have included SBC

Communications, another

regional telecoms operator,

and GTE, the local operator.

Yesterday Veba confirmed it

had narrowed the field to

BellSouth. A deal is expec-

ted within the next few

Competition for private

customers has already inten-

sified, with Mannesmann

Arcor, another of Germany's

new telecoms companies,

announcing this week it

would undercut signifi-

cantly prices charged by

Deutsche Telekom, the tele-

coms giant which is still

Veba

An attraction of BellSouth to o.tel.o would be its 22:5 per cent stake in E-Plus. Germany's third-largest mobile telephone company. O.tel.o already has a 60.3 increase its stake and is looking to develop inte grated fixed and mobile tele-

phone services. O.tel.o is focused on the German market, but Veba has also underlined its international telecoms ambitions, announcing this week that it was joining forces with Telecom Italia and Bouygues of France to offer fixed net telephone services in France from next year.

 Ericsson, the Swedish telecommunications group said yesterday that its Italian unit Ericsson SpA had concluded an agreement to sell 80 per cent of its net work construction company. Cosir, to Italy's Intek, AFX reports from London.

It said that the sale to Intek was in line with its strategy of concentrating on core business, but added that it would continue to co-operate extensively with

Ericsson did not reveal financial details of the deal.

BellSouth Teva takes transatlantic route

Israeli pharmaceuticals group's annual turnover

ver the past seven years, Teva, Israel's per cent of the US market for generic drugs - prompt-BellSouth, the US regional lobby the US embassy in Tel telecoms operator, is in Aviv over a proposed amend-

talks with Düsseldorf-based Veba about taking a stake Paradoxically, it was in the German industrial restrictive legislation in conglomerate's fledgling Israel that forced Teva to move a large part of its pro-Ulrich Hartmann, Veba duction to the US. The law chairman, confirmed negotibanned Israeli companies ations were under way as from carrying out any o.tel.o, its telecoms subsidresearch and development of

the liberalisation of the Gerpatent had expired. In the US, companies can develop generics and prepare the necessary registration procedures before the expiry. If the Israeli parliament passes new legislation, it will allow local pharmaceutical and agrochemical compa-nies to do the same at home obviating the need to shift pany, withdrew from the Veba-RWE alliance earlier

R&D abroad.

generic drugs before a

But US officials say Israel's planned reform is too liberal, as it would allow manufacturers to market generic drugs almost immediately after the expiry of a patent

In the US, the expiry date is often extended for a few years to give the patentholder time to adjust to the loss of sales before generic versions hit the market.

The irony of the situation is not lost on Teva, which admits it never intended its generic division to become such an important earner. "We have come a long way

with our generic drugs since generic drugs. the mid-1980s," says Dan Suesskind, Teva's chief financial officer.

cals group, has captured 8 division overtook our strat-

egy." The US now accounts for ing US drugs companies to 50 per cent of Teva's annual turnover, which last year reached \$740m and is set to exceed \$1.1bn this year. It has also forced Teva to reappraise its strategy.

Teva's ability to establish a foothold in the highly competitive US generic mar-

We have come a long way with our generic drugs since the mid-1980s,' says

Dan Suesskind, finance chief

ket was a mixture of trial and error. At first, like many Israeli companies, its strategy outside Israel was weak. "Every time we were about to acquire a company we would get cold feet," explains Mr Spesskind.

With help from US consultants, Teva took the plunge. By 1996, it had merged under one roof Lemmon and Biocraft Laboratories, both US pharmaceutical companies, calling the new unit Teva Pharmaceuticals USA. The merger added nearly 30 products to Lemmon's product line, and Teva Pharmaceuticals USA now manufactures

During the 1990s, Teva also turned its attention to

24 of the country's top

"We found ourselves with account for 20 per cent of a business which had annual revenues. By the end largest pharmaceuti- its own merits. Our generic of 1995, it had acquired Biogal, a Hungarian company, and APS/Berk, the UK's second largest generic pharmaceutical company. It also established a marketing subsidiary in Italy and a quality

> Analysts say Teva had little choice but to expand outside Israel, since the domestic market, which accounts for one-quarter of its turnover, was too small. Not content with expand-

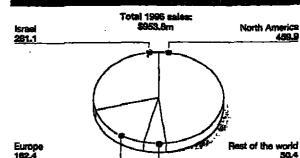
strategy which could change the profile of the company. "We are moving into inno vation drugs, particularly

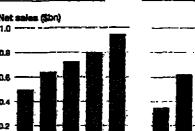
those for the central nervous system, and auto immune drugs," says Mr Suesskind. The drug that Teva is pinning its reputation on is Copaxone, a multiple sclero-

sis treatment designed to delay the progression of the Lehman Brothers, the US investment bank, reckons Copaxone could have sales of \$225m by the end of next

the next three years. owever, some analysts - and Teva about how this potential will

will make a significant contribution to profitability this Europe, where sales now year, because of the heavy





investment spending on marketing and advertising," says Debra Kodish, analyst at Zannex Securities. Teva's research and development spending last year was cals. Teva is one of only a \$90.4m, of which 40 per cent handful of independent was earmarked for Copax-

In New York, Teva's shares, which are quoted as American Depositary Receipts, have fallen from a high of \$69 in April to about \$47 yesterday. "This is a more realistic

and attractive price that ignores Copaxone," says Ms Kodish. "The issue Teva must remember is that it must not bite the hand that feeds it - namely, its generic division."

But just as Teva recognises the merits of its generic division and the potential of developing central nervous system drugs, it

is also paying more attention to its active pharmaceutical ingredients division, which makes chemicals for the manufacture of pharmaceuticals. Teva is one of only a generic drugs manufacturers that produces bulk chemicals. The division has annual turnover of \$100m, and Lebman Brothers believes Teva will remain one of most important groups in this

With Teva's sharper focus on generic, innovation and chemicals divisions, it is hardly surprising that US pharmaceutical companies fear Israel's new patent law. "They know we have established ourselves in the US market. We don't intend to go away," Mr Suesskind

Judy Dempsey

Toshiba links with Samsung in flash memory

By Michiyo Nakamoto in Tokyo

Toshiba and Samsung are linking up to support a format for 128-megabyte flash facto standard in the growing market.

The Japanese and Korean electronics groups are supporting SmartMedia - Toshiba's brand of flash memory cards, which are used as memory storage devices in digital products.

The two companies have agreed a development schedule and plan to launch a SmartMedia card with a storage capacity of 128 megabytes in 2001.

the growing competition to set the industry standard in flash memory cards. While the market for dynamic random access memory chips is expected to fall 25 per cent this year, the market for flash memory is forecast to rise by between 7 per cent and 8 per cent, said Toru Sasaki, industry analyst at

phones and digital cameras. The growing use of mobile

graphic market, where they are used as the "film" in digto boost the market. SmartMedia has about 71

according to one industry estimate.

SBC Warburg in Tokyo.

ted to help lift the market's said. The increasing use of flash memory cards in the photo-

ital cameras, is also expected its share is forecast to rise to

The increase in capacity to 128 megabytes - the current The agreement highlights generation is 8 megabytes would offer digital camera users greater storage and

nology, face competition Intel and Sharp, and Advanced Micro Devices and

Since flash memory cards can store data in a small, light and cost-effective format, they are used in porta-

communications and networking equipment is expec-

However, Toshiba and Samsung, which have long collaborated in the develop-

ble products such as mobile

memory cards, which they value from \$2.6bn last year per cent stake in E-Plus but hope will help establish a de to \$4.8bn in 2000, Mr Sasaki has said it would like to

per cent of this market and 83 per cent this year,

better visuals, Toshiba said. ment of flash memory techfrom the alliances formed by

The two US-Japan groups have established their formats as de facto industry

Clean bill of health The US market now accounts for 50% of the

control laboratory in the Netherlands.

ing its generic business, Teva is embarking on a

year, following recent approval by authorities in the US, Canada and Israel. If, as expected, approval is granted in Europe next year. total sales could double over

itself - are cautious translate into profits. "I don't think Copaxone

Bahia Bank

Bahia Bank Limited presents its new corporate identity:

MBan

There has been no change in shareholding control nor in any

other feature of the institution.

The following companies held by BBM Bank Group have

changed names:

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Bahia Securities Inc	BBM Securities Inc*
Banco da Bahia Investimentos SA	Banco BBM Investimentos SA
Bahia Corretora de Câmbio e	BBM Corretora de Câmbio e Valores
Valores Mobiliários SA	Mobiliários SA
Banco da Bahia SA	Banco BBM, Comercial, Crédito
·	Imobiliário, Crédito, Financiamento
•	e Investimento SA*

TO THE HOLDERS OF

OLYMPIA & YORK MAIDEN LANE FINANCE CORP. 1044% Secured Notes Due 1995

NOTICE OF INFORMAL MEETING OF NOTEHOLDERS Marie Amerika 1998 Kelley Drye & Warren LLP 101 Park Avenue ok Conference Possible 1998

measured to indurin you that after extensive regulations between the parties, we antispate that final videncing it is extited by year-end. Closing of the settlement will be extended by year-end. Closing of the settlement is subject to several motion other things, the documents provide that Marine Midland Bank, as Trustee, has agreed to use forts (i) to cause Olympia & York Marien Lane Company LLC and Olympia & York Marien Lane Finance &Y Entities") to be the subject of Chapter 11 cases under the United States Bankruptcy Code and (ii) to smoot documents approved by the Bankruptcy Court.

have the settlement documents approved by the isomorphicy court.

In order to cause the OAY Entities to be the subject of Chapter 11 bankruptcy cases, both the Trustee and a fixed the ad hoc Committee of Norsholders have met with officers of World Financial Properties ("World"), the corporate parent to the OAY Entities. After discussions, World has agreed to cause the OAY Entities to file Chapterian parent to the GAY Entities of Scio.000 (plus legal fees in an amount atill legal negotiated). World, howe extremed in concerns that, in Eight of the fact that the members of the ad hoc Committee do not hold a majori expressed in concerns that, in Eight of the fact that the members of the ad hoc Committee do not hold a majori expressed in concerns that, in Eight of the fact that the members of the side of saiding 7 may not empty the majoriny support of the Protenments.

Accordingly, to address those concerns and to afford the Noteholders the opportunity to express their views with spect to the Home settlement and the Building, the Trustee, together with the of Acc Committee of Noteholders, have spect to the Home settlement and the Building, the Trustee, together with the of Acc Committee of Noteholders to be held at 10:00 a.m. on January 7, 1998, at the offices of Marine Midsand's small, Kelley Drive & Warren LLP, 101 Park Avenue, 29th Floor, Cook Conference Room in New York City, mass, Kelley Drive & Warren LLP, 101 Park Avenue, 29th Floor, Cook Conference Room in New York City, mass, Kelley Drive & Warren LLP, 101 Park Avenue, 29th Floor, Cook Conference Room in New York City, mass, Kelley Drive & Warren LLP, 101 Park Avenue, 29th Floor, Cook Conference Room in New York City, mass, Kelley Drive & Warren LLP, 101 Park Avenue, 29th Floor, Cook Cook Cook and in New York City, mass, and in the present at the meeting to respond to any questions or concerns presentative of Ward have included by the Noteholders. Please note that this meeting is being convened as an informal meeting only, to allow the tehnikars to share their views and ideas, no votes are expected to be taken at the meeting.

sensions to source their views and mean; no vocas are expected to be cause at our meanure.

As all of the Notes are in bearer form, the Trustee does not have a complete list of all Noteholders in order to manufacte to the holders from time to time, as necessary. Accordingly, we sate each holder who wishes to be added to manufacte to the holders from time to these, as necessary. Accordingly, we sate each holder who wishes to be added to the manufacte to the holder is list to contact. Mr. Medio Camer, vice President of Marine Midland Bank, 140 Broadway, New York, New & 10006-1180 (flax no. (212)-658-6425) and indicate the holder's manue, address and contact person. re 1940-1100 (EEE no. (ELE)-non-bazo) and muscule use maner's mane, agoress and compet person.

The Trustee combines to work closely with the ad see Committee of Noteholders in all of the foregoing materials interested in communicating with the Trustee should write to Mr. Metin Comer at the address set forth about for the Trustee is David E. Rettor, Esq. of Kalley Drye & Warren LLE Commel for the ad see Committee a condition of the Trustee is David E. Rettor, Esq. of Structic & Structic & Lavan LLE Rolders interested in joining total cannot be trustee in David Golden, Esq. of Structic & Structic & Lavan LLE Rolders interested in joining to maittee are urged to call either Mr. Golden (at (212) 806-6423) or Mr. Retter (at (212) 808-7576).

TI pulls out of Messier-Dowty

By Andrew Edgecliffe-Johnson

TI Group signalled the end of the UK's long-standing its three divisions, according leadership in aircraft landing gear yesterday with a its chairman. £207.5m (\$346.5m) exit from its Messier-Dowty joint venture with Snecma, the French aerospace group.

The latest unravelling of an Anglo-French alliance change of government in Messier-Dowty's formation, and reflected TTs disappointment with the venture's performance and with the fact it business has not been to the had not been able to take 100 level where we can demon-

per cent control. The disposal leaves TI with scope for up to 2600m of holt-on acquisitions across to Sir Christopher Lewinton.

TI said that in 1994 it had expected to buy Snecma's 50 per cent stake out after three years. Two changes of chairman at Snecma and a came just three years after France had closed off that

> Sir Christopher said: "The financial performance of the

strate the returns our shareholders expect, so we have taken advantage of this point in the cycle to get out at what we believe is a pre-

In 1996 Messier-Dowty made operating profits of £22m on turnover of £247m per cent. The repair and overhaul business which is being sold with Messier-Dowly made profits of just £2m on sales of £32m in the period.

The two businesses had combined net assets of £86m, and Messier-Dowty had £62m

of net debt at December 31

The disposal leaves Dowty, which TI acquired for £650m in June 1992 and which was already smaller than its John Crane or Bundy divisions, with an aerospace business with annual turnover of £300m.

Profits from aerospace doubled in the six months to June 30, and Sir Christopher stressed that TI remained "fully committed" to aerospace and to Dowty's polymer engineering business. which is now in John Crane. Sir Christopher said the

sale should silence critics who accused TI of overpaying for Dowty. "I got my timing wrong in that the aerospace industry turned up two years later than I expected, but fundamentally it proved to be the right deal," he said.

Martin Angle, finance director, said the net proceeds of £175m for the Messier-Dowty stake compared to the £135m enterprise value placed on it in Janu ary 1995, but that TI had "created £400m of value for shareholders" from the



A final dividend of 16p, Tim Byrne, finance director (left), with David Crossland

Airtours basks in sun as holidaymakers dig deep

) Daneshkhu, Leisure Industries Correspondent

Higher sales of cruises and long-haul holidays helped Airtours, the acquisitive package holiday group, report a 39 per cent increase in full-year pre-tax profits. which was at the higher end

of expectations. However, after a recent strong run, the shares closed 32½p lower at £12.02½.

Jason Holden, leisure analyst at NatWest Securities, said: "With the market still expecting upgrades and with the Monopolies and Mergers Commission inquiry around the corner, it is not surprising they fell back."

Pre-tax profits rose from £86.8m to £120.3m (\$201m) on sales 27 per cent higher at

total operating profits of ness, and poor trading condi-£98.9m from 53 to 66 per cent in the year to September 30. David Crossland, chairman, said improved economic conditions and a feeling of job security had encouraged people to buy

more expensive holidays. "People are trading up," he said. Building society "windfall" bonuses were feeding into summer 1998 bookings which were up 15 per cent

Overseas sales increased from 45 per cent of the busi-Operating profits in the

Scandinavia business rose by 13 per cent to £38.5m, despite a hot summer which discouraged overseas travel. The North American divi-

sion reported a £4.9m loss start-up costs of Sunquest, makes a total of 20p (16p).

tions in western Canada. Costa Crociere, the Italian cruise line bought last year for £169m in a joint venture with Carnival, Airtours' largest shareholder, contributed £5.1m.

the country's contribution to its Los Angeles-based busi-

Mr Crossland said that the group had about £250m to spend on acquisitions and was looking primarily at Germany and the US.

The group's rapid overseas expansion has helped the share price double in a year. It proposed a 2-for-1 share split yesterday.

An MMC report into competition in the industry was submitted last month to the Department of Trade and Industry which is expected to issue recommendations early next year.

and Harry Coe, managing director

Wanless memo queries bank's decisions

By Financial Times

The commitment of resources to build the equities derivatives operation of business case rigour" as influential factor in the deci-NatWest's chief executive, stated in a boardroom memo

five months before Nat-West's announcement last week that it was selling its European equities and derivative operations for a combined price of £179m to Bankers Trust of the US and Morgan Grenfell. It was circulated to board members after Mr Wanless publicly announced that a review of

of a £77m loss caused by mispricing derivatives. The memo underscores

concerns about the cost of building the equity deriva-National Westminster Bank tives operation. This is was not subject to the "same" thought to have been an acquisitions carried out by sion to dispose of parts of the bank, Derek Wanless, NatWest Markets, its investment banking operation.

The document, made avail-The memo is dated July 8, by a group of UK institu-ive months before Nat-tional shareholders, is seen by investors as evidence of weak management. The group is attempting to force boardroom change at Nat-West, whose shares have underperformed the rest of past three years.

The investors are critical Alexander, chairman, for NatWest Markets was under allowing resources to be allo- Mr Wanless discussed

way, following the discovery derivatives operation without fully analysing the business case.

NatWest declined to comment on the memo and the moves by shareholders to force boardroom change. Mr Wanless stated that a main concern was the underperformance of Global Equi-

resources devoted to build- ness. However, by the time seen by the Financial Times. able to the Financial Times ing up Equity Derivatives of the July memo Mr Wanwas not subject to the same husiness case rigour as applied to the acquisitions. particularly in relation to funding requirements." The acquisitions include

Greenwich Capital Markets, the debt trading operation, German-owned Deutsche the UK bank sector in the Hambro Magan, the UK corporate finance boutique, and Gleacher, the US mergers of Mr Wanless and Lord and acquisitions operation.

At one point in the memo

ing of deposit-taking from trading activity".

headed from 1996 by Tom Whelan, formerly at Morgan Stanley. He joined NatWest Markets' executive committee and proceeded to recruit a number of his former Morgan Stanley colleagues in an ties. "The organic growth of attempt to build up the busiless was stating that, given the degree to which the Nat-West Markets profit targets were "so dependent on very strong forecast improvement in equities, one of the priority outstanding actions is an independent validation of the Equities strategy as a matter of urgency. This must be completed before a choice between options can

sensibly be made". He added that the review

cated to build up the equity strengthening "the ring-fenc-

Global Equities was options performance.

text of a number of different but related factors. It is not just about responding to the mis-pricing, although that has increased

investors' existing doubts about our pace of development and the management difficulties in delivering adequate returns". He also mentions "delays in equities in getting appropriate approvals for its derivatives business" as one of the reasons for NatWest Markets' poor

Mr Wanless stated that the review was being undertaken to achieve "improved control, regulatory and risk management capabilities, especially with regard to liquidity in the internal funding of group businesses and achieving compliance with the Bank of England Treasury Concession".

clears Lonrho

By Our Financial and International Staff

The European Commission has removed a substantial barrier to a takeover of JCI. South Africa's first blackcontrolled mining group, by Lonrho, the London-based conglomerate.

The Commission agreed that, subject to conditions JCI could complete a deal to swap some gold mining assets for a 28 per cent stake in Lonrho owned by Anglo American Corporation of South Africa, Lourho said the Commission's clearance was "the last link" in its plan to acquire JCL Its main aim is to buy back the 28 per cent stake and finally regain some control over its shareholder register.

A cash takeover by Lonrho would mark the end of JCI's short history as a vehicle for black economic empowerment after the sale in November 1996 of Anglo's controlling stake in JCI to a consortium of black inves-

Lonrho and JCI confirmed this week they were in talks, though Mzi Khumalo, JCI's chairman, insisted they were discussing a "merger" rather than a

Despite the Commission go-ahead, JCI shares fell sharply. Fears that JCI might resist and the deal collapse sent them down 7.5 per cent, or R1.75, at one stage before they rallied to close down R1.10 at R22.90. Analysts suggested JCI deals in the pipeline would vield R3bn (\$600m) cash, or about R20 a share, and that Lonrho was tentatively offering £450m to £500m, about R26 a share. Mr Khu-

malo said after a stormy JCI board meeting on Tuesday that he believed the company's value was "north of R35 a share". JCI's assets were worth the R54.50 a share paid by the black

investors last year. At the meeting, directors complained that Mr Khumalo and fellow director Brett Kebble seemed to have been acting unilaterally in pursuit of their own interests. They halted a deal for Southern Mining, a Johannesburg listed company.

But they agreed in principle to the unbundling of JCI's remaining gold assets. After negotiations with the European Commission, Anglo has agreed to cut its holding in JCI to a passive one of no more than 10 per cent. It will give up its right to representation on the board and certain veto rights.

France fuels Sage advance

The buoyant European computer services market helped Sage, which specialises in accountancy software, increase annual pretax profits by 25 per cent from £30.1m to £37.6m (\$62.8m). Sales rose 12 per cent to

£152.1m in the year to September 30. Strong performances from the UK and French operations underpinned the rise, and there was also a first contribution from the German subsidiary purchased this year.

Paul Walker, chief executive, said more acquisitions would follow. The group was keen to increase its pres in the US, Italian and Dutch markets.

Profits from the UK increased 20 per cent to 524.4m. The Sage brand had

been successfully launched in continental Europe during the year, and would be used alongside existing local brands, said Mr Walker.

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European profits, which consisted mostly of the French operations, rose 42 per cent to £11.8m. Competition and currency considerations in the US restricted profits growth there to 8 per cent, to £3.9m.

Mr Walker expressed concern that Sage had received little response from its warnings to prepare for the millennium "time-bomb". However, it was beginning to receive interest from French and German companies over products to deal with European monetary union. In addition, the group saw significant opportunities from the internet and electronic commerce, which would also drive product development.

Old Mutual to buy CCM

Investment Correspondent

Old Mutual, the South African life assurance group, is to buy Capel-Cure Myers. the fund manager, for an undisclosed sum understood to be between £60m and £80m (\$134m).

Capel-Cure Myers, which is owned by Canadian Insurance Group, manages about £5bn in assets, mainly from

private clients. Garth Griffin, managing director of Old Mutual, said the acquisition formed part of the group's strategy to focus its retail business on high net worth individuals, defined as people with

between £50,000 and £2m to Old Mutual's strategy over the past 18 months has been to shift away from its tradi-

tional life assurance busi-

Yesterday's acquisition takes Old Mutual's funds under management to £10.3bn excluding Africa and £30bn in total.

The group, which plans to demutualise within the next two years, is still keen to expand through further acquisitions. Mr Griffin said yesterday: "I would be disappointed if this was the end to further purchases. However, he indicated that

particular care would be taken over acquisitions in the run-up to a listing.

Capel-Cure Myers will continue as a separate entity with the same name, offices and executives. Mr Griffin said he would look for "operating synergies" but had no plans for large-scale redundancies among Capel-Cure Myers' 420-strong London

Triplex denies bid rumours

Triplex Lloyd, the specialist castings group, yesterday denied rumours that it was in takeover talks with Doncasters, the Midlands engineer with a US listing.

Triplex dismissed as speculation the rumours that it was negotiating a price of 280p a share with Doncasters, as well as the possible break-up of Triplex's automotive and petrochemical

operations. Triplex shares closed unchanged at 229%p. The Black Country-based group - which lost the acri-

monious hostile bid for rival William Cook earlier this year - has been at the centre of bid rumours for several weeks. In October it said it was in talks with an unnamed company. Colin Cooke, chairman, said yesterday: "As far as I am concerned, I am not in talks

with anybody.'

THE **DAVID**

David Thomas was a Financial Times journalist killed on assignment in Kuwait in April 1991. Before joining the FT he had worked for, among others, the Trade Union Congress. His life was characterised by original and radical thinking coupled with

a search for new subjects and orthodoxies to challenge, particularly in the fields of industrial policy, third world development and the environment. In his memory a prize has been established to provide an annual

study/travel grant to enable the recipient to take a career break.

In this seventh year of the prize, the theme is: What is the future of work? The prize will be worth not less than £3,000.

Applicants, aged over 40, of any nationality, should submit a typed entry of up to 800 words in English, together with a brief c.v. and a proposal outlining how the awards would be used to explore the theme further. Equal weight will be given to the essy and the proposal. Please keep David Thomas's interests in mind when writing both the entry and the proposal. The award winner will be required to write a 1500 to 2000 word essay at the end of the study period. The essay will be considered for publication in the FT.

CLOSING DATE JANUARY 5 1998

Applications to: Robin Pauley, Managing Editor The Financial Times (F) Number One Southwark Bridge London SE1 9HL

Christie's back in bid talks

By Robert Wright

International showed another strong rise yesterday after the fine art auc-tioneer said it was back in talks with a mystery bidder. The company had announced on Monday it had broken off talks with an unnamed bidder because the terms were not attractive enough. Yesterday it said it bad received a modified preliminary approach. The company said the approach was made with a view to a possi-

the company. The shares rose 30p to 305p. The price was languishing at 224%p just over two weeks ago, before the start of bid speculation. Rumours as to the bidder's identity have focused on Joe Lewis, the Bahamas-based investor, who holds 29.9 per cent of the shares. However, Mr Lewis appears to have ruled himself out as the bid-

Guy Bell, an analyst at Beeson Gregory, said Chris-tie's had always been ripe for bid speculation. It had never got to the stage of formal announcements before. however. It was hard to see who would be interested in

the company.

He said: "It's not a particularly reliable performer. It's doing quite well at the moment, but it is in the middle of a bit of a boom." In the six months to June 30, pre-tax profits rose 20 per cent to £19m on turn-

over up 15 per cent at

RESULTS (86.8) 63.82† (0.116) 8.4† (16.64) 17.63 (0.051) 1.56 (0.805) 1.56 (0.805) 1.56 (0.805) 8.2 (0.428♥) 2.84 (3.01♥) 17.94 (14.3) 41.2† (105.2) 5.7 (0.687.4) 4.97.† (30.1) 23.4 (58.6) 7.1 (0.491.1) 1.23 (0.497) 0.3† (0.497) 0.3† (0.497) 0.3† (1.58) 13.28 Yr to Sept 30 2.174 (49.23) (1.35) (5.4) (9.21) (9.27) (2.27) (2.38) (9.07) (3.38) (9.07) (3.79) (3.79) (3.79) (4.1) (74.1) (74.1) (74.1) (74.1) (74.1) 0.216 51.6 14.3 0.109 6 miltrs to Sept 30 2.98 (2.87) 6 miltrs to Sept 30 140.5 (147.8 (1) (147.8L) (162.6) (13.9) (29.7) (138.8) (5.75) (37.1) (83.4) (2.463) (0.128) Bulmer (HP) Claybithe ___ Dresomond _ 0.108 0.503 16.1 0.3654 4.270 16.6 87.84 2.7914 37.6 71.9 29.3 0.821 0.554 1.9 Shares in Christle's ... Yr to Sept 30 * 103.9 Yr to Sept 30 2,412 6 miles to Sept 30 0.414 _____ Yr to Sept 30 152.1 __ 6 miths to Sept 30 462.5 __ 6 miths to Nov 1 554.8 Smith (David S) Vibroplant (615.4) (17.8) (6.34) 7.1 1.23 0.3† 13.28 _ 6 miths to Sept 30 _ 6 miths to Sept 30 _ 6 miths to Sept 30 Close Protected VCT - 50 wks to Sept 30 95.3 (-) Lineit - 6 mins to Sept 30 145.4 (119.3) 5.85

CONTRACTS & TENDERS

TENDER INVITATION for a Hungarian Investment Project

The tenderee (owner) expects bids in connection with the purchase of a 12,000 square meter area situated in the centre of Budapest, the capital city of Hungary, presently used as a trotting race-course, and for the realisation of an investment project aimed at the infrastructure development of Hungarian horse racing on the gallop race-course which is also situated in Budapest. Only joint bids are accepted. The project is worth several billion Hungarian Forints (HUF).

> The date and place of submitting bids: 16th January 1998 Nemzeti Lóverseny Kft. (National Horse Racing Ltd.)

The "Tender Document" including detailed conditions of the tender, data about the property for sale and details of the investment project is available in English at the same location

Hungary, 1087 Budapest, Kerepesi út 9.

The tenderars must appoint a delivery assistant in Hungary.

Group of Thirty

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Sylvia Ostry considers current developments that may launch comprehensive multilateral investment negotiations and the principles such negotiations should Price: \$10.00

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t is not often that an Englishman goes abroad and becomes the guiding light for one of the fastestgrowing sectors of the US electronics industry.

But this has been the achievement of Malcolm Thompson, a former professor of electrical engineering at Sheffield University and one-time chief technologist at Xerox's famed Parc thinktank in Palo Alto, California. In the past the US has lost out

to the Japanese in several sectors of electronics manufacturing. But over the past five years Dr Thompson, 52, has fought to build a US manufacturing base in sophisticated computer monitors known as active-matrix flat panel displays. The displays, in which each pixel is linked to its own transistor, are widely viewed as the natural successors to conventional cathode ray tubes.

In the teeth of indifference and bureaucratic opposition, he founded and championed the US Display Consortium, a unique collaborative body that brings together 150 leading US companies, government agencies and various sector associations.

The story began in the early 1990s when Dr Thompson was among the first to recognise that active-matrix flat panel monitors could not only produce astonishingly detailed images, but also carry full motion video without the smearing that often plagues cathode ray tubes.

Such monitors - in effect the first "paper-quality" screens are unaffected by magnetic fields, are almost distortion-free and require no bulky shielding in uses such as jet aircraft.

Their lightness means easy portability, but the crucial question Dr Thompson asked at the time was: would the US have any part in it when it had no manufacturing capability? "It is pointless to have 1 per cent or 0.1 per cent of any business," he says. In 1992, 10 years after Dr Thompson arrived at Parc, he invited a dozen key industry figures to a Thai restaurant in Palo Alto. "For just \$35 - the cost of the wine - the technical and business 'road maps' of the USDC

were laid down," he says. By playing the role of an "honest broker Brit with no axe to grind" to maximum effect. Dr Thompson persuaded bitter rivals to work together for mutual benefit. He insisted that companies joining the consortium should surrender intellectual property rights over manufacturing processes, and thereby "shut out" the lawyers at the outset.

Marcus Gibson on why an Englishman took his ground-breaking ideas to the US Perfect images on display



When many of the companies buyers or suppliers of displays hesitated. Dr Thompson demanded: "Do you really want to be in the manufacturing equipment business?" No, they replied. Then why are you so worried about intellectual property rights?" he retorted. Consent followed swiftly.

"I think at least 50 per cent joined because they were afraid they might lose out if they did not," says Dr Thompson.

The consortium opened its doors in July 1993, and Dr Thompson's vision began to turn into a classic model of top-level trans-sector co-ordination.

First, the three levels of the business - display buyers, display manufacturers and makers of display manufacturing equipment - were brought into a single forum, including Planar, Texas Instruments and Motorola.

Next, member companies discovered they could collaborate on projects, find buyers for product ideas or simply keep abreast of other projects' progress. They could even have their own technology judged independently by technical committees.

Today funds committed to working relationships by USDC members stand at \$110m (£66m). "Thompson is the quiet bulldog." says Peter Mills, a former senior executive at the San Jose-based consortium. "He never gives up."

The obstacles Dr Thompson experienced in setting up the consortium were mirrored in his efforts to get Xerox involved in flat panel manufacturing. In 1995 he had led the Xerox

The group's success has profound lessons for Europe to promote highrisk technologies

team that built a world recordbeating 7m-pixel, 14in activematrix flat panel screen.

Japanese visitors to Parc were astounded by Xerox's achievements, which far exceeded their own efforts. The pixels were etched on to glass, not silicon, providing much greater clarity than the half million pixels typically found in laptops. The sys-

tem offered resolutions that were five times higher than those of high-definition television.

Later in 1995 Dr Thompson brokered an alliance between Xerox and AT&T to build a pilot manufacturing plant at Xerox, financed by \$50m from the Defence Advanced Research Projects Agency (Darpa). But elation soon turned to frustration: Darpa funds were delayed, and worse still, AT&T withdrew. Dr Thompson warned Darpa that without urgent action Xerox would exit as well. He also had to overcome opposition within Xerox about going it alone.

In March last year Xerox finally launched the first-ever spin-off company to emerge from Parc, named dpiX – a play on "dots per inch".

While the consortium gathered speed, dpiX, whose chief executive is Dr Thompson, quickly prospered. In an ultra-modern factory across the street from Parc. the first wave of products appeared. These included the first of 30,000 US-made flat panel displays for US air force and RAF Hawk jet aircraft. Markets are also emerging in medical diagnostics, where the improved image clarity and readability could belp deliver faster, more accurate diagnoses. Instantscanning machines, for example, could tell doctors immediately if a patient's neck was broken.

Tim Bajarin, president of Creative Strategies, one of Xerox's partners, says: "The quality of the display itself has become the key technology focus of the computer."

Meanwhile, news of the consortium's success has spread. The Japanese equivalent, which includes NEC, Sanyo and Sharp, visits it once a year to compare notes and work out common industry standards. And the South Korean electronics groups, which are still riven with the kind of rivalry that once bedevilled the US sector, are ready to copy the consortium's model. "It's a net gain for everybody." says Dr Thompson.

Recently USDC entered politics. The board advised US president Bill Clinton's technology policy staff and US Congressmen on the strategic and economic importance of flat panel technology, much of it behind closed

Dr Thompson says growth trends in the flat panel display sector equate to the early development of semi-conductors. By 2000, global revenue from flat panel displays is expected to reach \$20bn, up from \$11bn last year, says US sector analysts Stanford Resources.

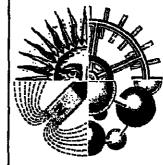
The success of the consortium has profound lessons for Europe, which could do well to copy such dynamic, pan-regional collaborations to promote fast-track, highrisk technologies. Yet Dr Thomp son feels the chances of Europe copying the consortium model for flat panel displays, or many other industries, are not good.

Sector fragmentation, lack of critical mass, dependence on external manufacturing and overstaffed government bureaucracies result in much slower development, he says. "You need a driving force. Someone must take the initiative."

Dr Thompson believes that any organisation related to the European Commission could not do the job. "You'd probably have 10 people from each country represented," he says. "The USDC has just six full-time employees, and the entire Darpa budget of \$4-5bn annually is overseen by some 80 individuals.

"European trade bodies come here [to the US] loaded down with officials and support staff but relatively few technicians."

Worth Watching · Vanessa Houlder



Shock research on mine detection

Plastic landmines pose a particularly worrying threat to civilian populations: they are cheap, easy to make, and they cannot be detected by conventional technology.

But research under way at the University at Buffalo might lead to an accurate and inexpensive method of detecting both metal and plastic landmines.

The technique involves sending weak shock waves into the soil, possibly using cheap microelectronic devices that could be dropped by an aircraft. Acoustic signals would be reflected off buried objects such as landmines, providing information about their size and shape. The next step in the work, which is being funded by the US Army Corps of Engineers, will be experimental

University of Buffalo: US, tel 716645262; e-mail goldbaum(g:newsb.buffalo.edu

Plant gene project bears fruit

A tiny tomato plant that grows to a height of only 10cm is the basis of a technique developed by the Weizmann Institute in Israel to speed up the identification of commercially valuable genes in plants.

Identifying plant genes is a laborious process, in which radiation and chemicals are used to create random mutations in the plant's genetic code, which can then be linked to traits such as shape or taste.

This process can be speeded up by using a genetic material called "transposons" which mark the exact spot on the plant's genome where a mutation has taken place. It can also be accelerated by using large populations of the miniature tomato plants. These are so small that researchers can grow up to 1,000 plants per square metre. They also grow so rapidly that four generations of the plants can be produced

Weizmann Institute: Israel, tel 97289343855; web, www.weizmann.ac.il

Finding faults in chromosomes

Spectral Imaging, an Israel-based company, has developed an imaging technique to locate genetic aberrations in chron is already being used in cancer research and could find applications in prenatal diagnostics research.

Its system, known as SpectraCube, relies on a combination of high performance imaging, computing and spectroscopy. It rapidly measures the spectrum of light from each point of a microscopic sample simultaneously, which is then analysed using powerful algorithms.

Applied Spectral Imaging: www.spectral-imaging.com

Total recall for phone repeaters

The performance of mobile telephones in remote areas depends on digital repeaters that re-transmit signals to a base station. But the repeater stations need their own source of power, which can be a problem in remote areas Generators require fossil fuel, while batteries must be replaced or recharged at regular intervals.

Solar power is the answer, according to researchers at the Fraunhofer Institute for Solar Energy Systems, They have developed a photovoltaic hybrid system which, they say, is cost-effective, rarely needs maintenance and bas a long life. The computer-controlled system combines photovoltaic cells with a rechargeable battery and a gas-powered generator, which is only needed during prolonged periods of bad weather.

Fraunhofer Institute for Solar Energy: Germany, tel 7614588227; fax 7614588217.

HELLENIC REPUBLIC MINISTRY OF DEVELOPMENT

Request for Proposals (R.F.P.)

The Ministry of Development hereby invites interested parties for an international public tender process with sealed bids (without counter-bids), for the tourist development and long-term use, development operation of an area of 1,780 "stremmata" (1 stremma=1.000 m²) in the District of AFANTOU of the Island of Rodos.

The bidding process will be administered by a Bidding Committee, set up for this purpose at the offices of the Ministry of Development, at 2 Amerikis Street, 5º Floor, Conference Room, on Monday 09/02/1998 from 10:00 to 12:00 hours.

All interested parties can obtain all the necessary information from the following day of this publication for Request For Proposals from the Ministry of Development offices at 2 Amerikis Street, 5th Floor, Room 534, Athens, Monday-Friday from 11:00 to 14:00 hours.

> The Minister of Development Vasso Papandreou

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VIEWPOINT

Special Edition

A timely message to Commerzbank's international clients and shareholders

Commerzbank broadening reach and expertise in **Global Equities**

shareholders worldwide, the Commerzbank Group is concentrating its activities for the future on three main areas of business international finance, investment banking, and domestic branch banking. This special edition of Viewpoint focuses on the Group's overall strategy in global equities.

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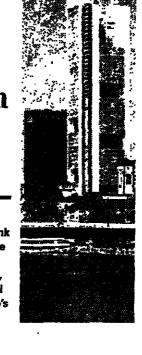
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To meet the objectives of its clients and



EARNINGS UP 52% AFTER NINE MONTHS 1997, In the first three quarters of 1997, the Commerzbank Group posted a pre-tax profit of DM 2.54 billion - a 52% increase over the comparable year-earlier period. This result surpassed the record earnings of the entire year 1996 by more than one-third, well ahead of projections for the current year. Total assets advanced to DM 515 billion. Including a capital increase of DM 1.6 billion in October, the Group's equity capital is DM 15.1 billion. After-tax return on equity is nearly 15%, positioning Commerzbank as one of Germany's most profitable financial institutions.

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COMMERZBANK SIZ

INTERNATIONAL CAPITAL MARKETS

UK gilts outperform in Europe

GOVERNMENT BONDS

By Vincent Boland in London and John Authers In New York

Government bond markets the spotlight switched to equity markets after a sharp early fall on Wall Street.

Most of the markets' investors were waiting for figures expecting a higher subscripto be released today on US retail sales for last month, and were content to sit out the day on the sidelines.

UK GILTS were again the best performing of the European markets as the positive tone set by this week's benign inflation outlook continued to impress investors. The minutes of the

November meeting of the Bank of England's monetary policy committee showed, however, that it did not contract settled up 0.09 at believe UK interest rates had yet peaked.

The March futures conabout 58,000 trades, while man bunds was unchanged at 111 basis points after a modest rise in bunds.

Earlier, the gilt market had shrugged off a disappointing outcome to the Bank of England's auction of ended mixed yesterday as £2bn of the new 6.5 per cent five-year benchmark bond.

The auction attracted bids for 1.77 times the amount on offer, but traders had been tion, of at least twice the offer.

However, Kevin Adams, gilt strategist at Barclays Capital, said the five-year sector had rallied ahead of the auction so the new bond was trading expensively, which accounted for the lacklustre demand.

GERMAN BUNDS staged a modest recovery and pushed other European markets slightly higher. The March 103.76 but in low volumes in both London and Frankfurt. The yield on the 10-year

tract settled is higher at bund stood at 5.39 per cent, 120% in moderate volume of down marginally from the previous session and again heading for its record low.

today's US retail sales figures, underlining the continued influence of the Treasury market to set the

overall tone of markets, even if Europe occasionally has a day when domestic factors predominate, as happened on Monday. However, the modest rise was enough to underpin

small gains elsewhere. FRENCH BONDS edged slightly higher, with the December and March contracts each settling up 0.06, at 100.72 and 100.26 respectively. The spread over 10year bunds stood at just one basis point.

Earlier the December contract had again touched its high of 100.86 but failed to break through it. Much of the day's modest activity was dominated by rolling over from the December to the March contract.

SPANISH BONOS had a very quiet session ahead of official data on November inflation, which are expected to be released tomorrow. If

New international bond issues

ber was 1.9 per cent - the Bank of Spain is expected to go ahead with a long-awaited

interest rate cut. However, any rate cut has been firmly discounted in volumes were generally thin. bono prices, and analysts although third-quarter cursaid the danger was on the rent account figures, which downside. The December bono futures contract settled 0.02 lower at 105.42, while the March contract settled

0.02 higher at 104.99. The US TREASURY market was quiet in morning trading as continued problems in the emerging markets and in US equities allowed bond yields to benefit from further "flight to quality" buying.

Rumours about the health of Boris Yeltsin, the Russian president, helped sentiment, as did concerns about the International Monetary Fund bail-out for South Korea and attempts to stabilise the Japanese banking

By mid-session, the benchmark 30-year Treasury long bond had gained it to 100 it.

Analysts said bund investing figure remains modest — yielding 6.109 per cent. There tors were quiet ahead of inflation in the year to Octowere similar gains across the were similar gains across the yield curve, with the twoyear bond up i to 99뜷, yielding 5.726 per cent.

There was very little news to stimulate the market, and were better than expected, may have affected trading.

Prices fell slightly in early trading, but soon staged a recovery as other markets continued to suffer deep concern about the Asian economy and its possible effects on the US.

Kevin Logan, chief mar kets economist at Dresdner Kleinwort Benson in New York, said it was hard to be aggressively short in the US bond market at the moment "People are convinced that

the Federal Reserve will not tighten monetary policy given the international situation," he said, "and there's great apprehension that at any moment some international event could happen which would push the Treasury market back up again."

Biggest fund launched in Egypt

By Mark Huband in Cairo

Egypt's six largest financial institutions have launched the country's biggest single managed investment fund, with authorised capital of E£1bn (\$294m) earmarked for domestic securities.

The five-year, closed-end Egyptian International Fund, formed after two months of negotiations, will be the largest of the country's 16 domestic managed

The leading stakeholder is the \$23bn state pension fund, which has invested E£200m.

The second largest shareholder is Misr Insurance Company, which has invested E£100m. Equal shareholders with E£50m are Egypt's four state-owned banks – National Bank of Egypt, Banque Misr, Banque du Caire and Bank of Alexandria.

The fund, into which E£500m had been deposited by yesterday, is expected to reach E21bn in six months and grow further, particularly if Egyptian share prices remain at their current attractive level.

The KIF will be managed by Cairo-based Concord International Investments, which currently manages two onshore and two offshore Egypt funds.

"With price earnings ratios getting closer to what they were in 1996, we couldn't be happier about the timing of the new fund's finalisation," said Mohamed Younes, Concord chairman.

The launch of the EIF is a significant step forward for state-owned financial institutions whose investment potential the government is determined fully to exploit.

CAPITAL MARKETS NEWS DIGEST

Gilt auction fails to boost strips

A Bank of England auction yesterday failed to lift interest in the UK's new gilt strips market. The market has been subdued since its launch at the start of last week, struggling to overcome unfortunate end-of-year timing and uncertainty over interest rates. In the market the component parts of a conventional gilt are separated and traded as distinct securities.

Like the last big innovation in the UK government bond market - the introduction of repo trading in January last year - the strips market is being closely watched by potential investors. But most appear to be waiting for someone else to try it out first.

The Bank yesterday auctioned a £2bn tranche of a new five-year strippable gilt, bringing to eight the number of gilts available for trading in the market - which now has a valuation of some £90bn. By some estimates this makes it the third biggest strips market in the world, after the US and France. Many analysts said the market should become much more active from early next year, when big fund management and life assurance companies, seen as the main investors in strips, had assessed its usefulness

for their investment strategies. The natural time for people to buy strips is when they are very bullish. Everybody is just a little cautious at the moment," said Colin Harte, head of bonds at Gartmore

Investment Management. "People have been dabbling a bit but there won't be a big push until next year. There has been some besitant trading and evidence of early foreign investor interest. US and European bond

markets have well-developed strips markets.

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■ UK GILTS TRADING

INTERNATIONAL BONDS

SocGen appoints six staff

Société Générale, the French bank, has appointed six people to its UK gilts sales and trading team in London as part of a strategy of pan-European coverage of bond markets before the introduction of the single currency.

Four of the new appointees came from Daiwa, which withdrew as a glit-edged market-maker earlier this year. They are Robert Dobson and Amanda Ford, who were appointed to the UK institutional sales team, and Alexander Krickic and Louisa Martin, who were appointed to gilts trading. SocGen also hired Huw Roberts and Tilly Russell from NatWest Markets to join the UK institutional sales team.

This year SocGen has been concentrating all non-French franc government bond trading and sales in London, a move that will be completed on January 1 when trading in Spanish bonos is moved from Madrid.

Philippe Rakotovao, head of fixed income at SocGen in London, said the bank was building "a critical mass" in trading and distribution in London to meet client require ments. "It is very important that our distribution force is backed by a strong trading ability." he said

Vincent Boland

Westpac issues \$300m FRN

INTERNATIONAL BONDS By Edward Luce

The markets took a breather yesterday, with many banks turning their attention to a huge amount of supply next predicted spate of Asian mandates for early 1998. The Korean Development Bank will hold an investors conference in New York today to discuss terms for its planned

\$2bn three-year bond issue. In the primary markets, WESTPAC, the Australian bank, led the field with a \$300m floating-rate note issue. Officials at HSBC Mar-

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

kets, sole lead manager, said the borrower wanted to access the markets in advance of the predicted scramble in January.

"There is likely to be a month and a lot of pressure on spreads," said the official. "Westpac wanted to fulfil its funding requirements now while supply is still relatively scarce."

In addition, Westpac wanted to take advantage of the fact that there will be \$2.2bn of redemptions in the floating-rate dollar sector in the last half of December.

4.53 +0.02 +0.01 -0.12 +0.74 5.47 -0.01 -0.04 -0.21 -0.33

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Finance Corp., 97-A, asset-backed notes. bi) Legal meturity: Dec 04. Average Mic 2.51 years. b2) 1-mth Libor +20bp. b3)
Legal meturity: Dec 21. Av lifter 7.76 yrs. b4) 1-mth Libor +27bp. b5) Class B1 subordinated. \$15m, expected maturity: Dec 07, 1-mth Libor +47bp. b7 of 3-mth Pibor +25bp on every coupon date.
e) 12.1% to Jan 99, then 7% to Jan 01, then 15% -2 x 12-mth Libor. f) Long 1st coupon. s) Short 1st coupon.

This is considered relatively high. The bond was priced to yield five basis points above three-month Libor, a shade wider than the secondary market spreads on Westpac's existing dollar-denominated

France

BOND FUTURES AND OPTIONS

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LONG TERM FRENCH BOND OPTIONS (MATIF)

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| C44E | UZZUD | _ 8.40 | .000 | . TU/, SARSO | 0.30 | -0.01 | | . 10.20 | |
| E FINANCIAL | S | ج:
 | | 3 - B | gore. | 1,141,7 | | | |
| GECC | 05/07 | 8.75 | AAA | 115 6251 | 8.50 | -0.01 | -0.0A | 40.56 | |
| Banc One | 08/02 | 7.25 | A+ | 103.2856 | 6.41 | -0.01 | +0.12 | +0.52 | |
| US West | 01/07 | 7.30 | BBB+ | 102.0776 | 6.98 | -0.01 | +0.04 | +1.04 | |
| I INDUSTRIA | 8 | ΣM | | | V.3 | | | | |
| WMX Tech | 04/99 | 6.25 | Α- | 99.6668 | 6.51 | -0.03 | +0.20 | +0.70 | |
| Wal Mart
Dayton Hud | 05/02 | 6.75 | AA | 101.6393 | 6.31 | -0.01 . | +0.09 | +0.42 | |
| Dayton Hud | 08/21 | 9.70 | BBB+ | 127.6719 | 7.23 | +0.01 | -0.01 | +1.10 | |
| AGENCIES | | | | | | | | | |
| FHI MC | 04/07 | 7.14 | N/A | 106.3176 | 6.23 | _0.01 | 40 A7 | 70.50 | |
| SLMA . | 03/00 | 7.50 | N/A | 103.1726 | 5.96 | -0.03 | +0.12 | +0.12 | |
| FNMA | U2/18 | 8.95 | N/A | 126,8519 | 8.53 | +0.01 | -0.02 | +0.40 | |
| FFCB | | | | 117.5959 | | | | | |
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| Stone Cont | 02/01 | 9.68 | В. | 102.0000 | 0.00 | - | _ | _ | |
| AK SH | 12/01 | 9.13 | BB- | 103.7500 | 0.00 | - | - | - | |
| Pacalta | 06/04 | 10.75 | B | 97.7500 | 0.00 | | | | |
| New York cicting. | | | | Source | x: intera | ctive Dat | e/FT Info | metion. | |

| US INTEREST | r R/ | ATES | | | |
|--|--|--|----------------------|-----------------|---|
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| Prime rate
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5.45
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| Dec 10 | Red
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| E SURO DM | | · | | <u> </u> | | | · ` . : : | |
| 2B | 02/07 | 6.750 | AAA | 102,0500 | 5.48 | +0.08 | -0.24 | |
| Spain | 01/07 | 5.750 | | 101,3900 | 5.55 | - | -0.23 | |
| Philip Modes " | 03/04 | | | 98.8500 | 5.50 | -0.01 | 0.11 | |
| ABN AMRO FRIN | 03/05 | 3.825. | n/a | 99.6321 | 5.41 | -0.01 | -0.19 | +0.1 |
| E EURO HIR | ت تنديدا | 194 | · | ٠ | | | 4 4 5 | |
| Austria | 01/04 | 6,500 | AAA | 101.6300 | 5.18 | · · · - | -0.22 | +0.0 |
| Abbey Nat | 02/04 | 6.000 | AA | 103.5900 | 5.30 | -0.01 | -0.16 | +0.1 |
| Gred Foncier | 02/04 | 9.125 | A | 118,0100 | 5.59 | _ | -0.19 | +0.4 |
| Abbey Net FRN | 09/06 | 4.510 | n/a | 101.8843 | 4.25 | - | -0.23 | -1.0 |
| # BURO LIRA | ·4···· | i: | | 100 | | | 1.80 | <u></u> |
| 28 | 02/07 | 7.000 | AAA | 109,3200 | - 5.87 | +0.02 | -0.40 | -0.1 |
| Abbey Nat | 02/02 | 6.800 | AA | 104,8100 | 5.47 | +0.02 | -0.32 | +0.0 |
| Walt Disney | 08/00 | 8.625 | n/a | 107.1700 | 5.47 | +0.04 | -0.37 | +0.3 |
| Abbey Nat FRN | 03/07 | 8.000 | AAr | 103,9920 | 6.86 | +0.01 | -0.71 | +1.0 |
| E SURGE | 110.00 | | | 37 1 M | | 27.23 | | 10. |
| ;;=,;;;;;
FIB | 12/07 | 7.826 | | 106,8654 | 6.66 | -0.02 | -0.25 | +0.2 |
| Dresdner Bk | 12/07 | 7.750 | AA- | 104.2445 | 7.14 | -0.02 | -0.78 | +0.7 |
| RBS | 01/07 | 8.375 | Ã. | 108.8825 | 7.31 | -0.02 | -0.11 | +0.9 |
| Abbey Nat FRN | 02/02 | 7.830 | AA | 100.0310 | 6.65 | -0 | -D.17 | -0.0 |
| E.8480 \$ | 3:35 | | | - 5.5 | · · ፲፰ · | 7.3 | | · . · 3 · |
| := ,y=,+ ,>::. | 04/07 | 7.250 | | 106,6585 | 6.28 | -0.04 | | |
| ABN Amero | 06/07 | 7.125 | | 103,5921 | 6.61 | -0.04 | -0.08
-0.07 | +0.3 |
| Quebec | 01/07 | 7.000 | | 102,7678 | 6.59 | -0.05 | -0.06 | +0.6 |
| Citicom FRN | 02/04 | 5.638 | A+ | 99.5739 | 6.02 | -0.04 | +0.15 | +0.1 |
| E BIRO CS | S. 74. | | 7. Jan. 19 | | ;: : | :- ¥574 | | ******* |
| Bever L-Bk | 08/04 | 9.500 | AAA | 118.6962 | 5.00 | +0.03 | +0.24 | |
| Taranto | 05/04 | 8.500 | AA | 113,5000 | 5.91 | +0.05 | +0.24 | +0.2 |
| Bell Canada | | 10.625 | A+ | 107.6473 | 5.41 | +0.01 | +0.48 | +0.1 |
| Doubsche B FRN | 09/02 | 5.875 | AAA | 101.4210 | 5.53 | -0.03 | +0.12 | -0.1 |
| E EURO YEN | Y | 7. | | | : | | 1.00 | 57. |
| World Bank | 03/02 | 5.250 | | 117.2400 | 1.10 | -0.01 | -0.02 | A Carlo |
| Soein | 03/02 | 5.750 | | 119,2000 | 1.12 | -0.03 | -0.05 | +0.03 |
| Cred Fonder | 08/02 | 4.750 | | 114.1934 | 1.56 | -0.03 | -0.03 | +0.48 |
| Italy FRN | 07/99 | 0.594 | ÄÄ | 100.3615 | 0.33 | +0.03 | +0.06 | -0.12 |

| TSE Actua | ries G | iovŁ S | ecurii | ties | | | | | | | | | U) | C Inc | lice |
|---|--------------------------------------|------------------------------|--------------------------------------|------------------------------|----------------------|--------------------------------------|------------------------------|------------------------------|------------------------------|----------------------|--------------------------|---------------------------|----------------------|----------------------|----------------------|
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(Gitts | Wed
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| Up to 5 years (19)
5-15 years (20)
Over 15 years (4)
Irredeemables (4) | 119.20
157.52
190.23
232.80 | 0.01
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0.43 | 119,19
167,32
169,63
231,79 | 1,84
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20 yrs
Irred.† | 6.61
6.38
6.38
6.45 | 6.61
6.39
6.39
6.48 | 7.22
7.74
7.82
7.90 | 6.89
6.37
6.34 | 6.89
6.40
6.37 | 7.29
7.71
7.74 | 6.74
6.47
6.46 | 6.74
6.49
6.48 | 7.33
7.68
7.70 |
| All stocks (47) | 150.47 | 0.12 | 150.28 | 1.75 | 11.88 | | | Sation 5 | % —
Yr. ag | | | Tation 10
Dec 9 | | _ | |
| Up to 5 years (2)
Over 5 years (10)
All stocks (12) | 212.05
217.00
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0.40
0.38 | 211.76
216.13
214.60 | 1.18
1.57
1.52 | 6.09
5.76
5.76 | Up to 5 yrs
Over 5 yrs | | 3.07
3.05 | 3.24 | | 2.23
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|--|---------------------------------|-------------|---|---|
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FTSE intentitional Ltd 1997. All rights re
propilation: 133.87 (21/01/94), low 50.53 (03 | served * for 1937 Communication | | 133.20 132.98 132.25 132.00 132.37 114.82 133.54 115.32 | - |
| UK GILTS PRICES | | | · · · · · · · · · · · · · · · · · · · | _ |

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■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100% 6.000 102.0200 5.10 +0.02 -0.02 -0.32 -1.38 6.250 103.3600 5.38 +0.01 -0.03 -0.32 -1.45 6.750 107.0800 5.77 - -0.04 -0.39 -1.78 7.250 113.1600 6.26 - -0.03 -0.42 -1.83 4.900 106.4500 0.51 +0.02 +0.04 +0.03 -0.27 4.800 107.71300 1.26 -0.02 +0.02 - -0.54 3.000 109.3200 1.71 -0.03 - -0.01 -0.72 3.500 114.6300 2.54 +0.01 -0.04 +0.09 -0.71 05/99 7.500 104.4500 4.34 -0.01 -0.01 -0.10 +0.91 02/07 5.750 102.6600 5.37 -0.01 -0.03 -0.23 -0.35 03/99 8.500 104.3984 4.82 - -0.03 -0.33 -1.31 02/07 8.625 105.9440 5.77 - -0.02 -0.28 -1.17 M NOTIONAL GERMAN BOBL FUTURES (LIFFE)* DM250,000 100ths of 100% M NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE) Lita 200m 100ths of 100% 03/99 5.000 100.4100 4.64 +0.01 -0.02 -0.10 +0.52 04/07 5.500 99.7900 5.52 -0.01 -0.03 -0.27 -0.58 **EMERGING MARKET BONDS** Day's Mith's Sprid chige chige vs yid yid US Ecu ■ ECU BOND FUTURES (MATIF) ECU100,000 11.375 88 106.0000 8.875 89- 97.7500 9.875 88 103.0000 10.62 +0.23 9.58 +0.76 9.37 +0.20 US e asia E US TREASURY BOND FUTURES (CST) \$100,000 32nds of 100%



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Julian Hodge Bank 7.25

CLeopold Joseph J. Sons 7.25

C. House & Co.

NatWestminster Shee Brothers Royal Bk of Scott

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sk7.25 7.25

7,25

Yen rises on intervention threats MARKETS REPORT

By Skmon Kuper

The yen rallied again yesterday as Japanese officials threatened with intervention in the market to support their currency.

to help its troubled banks also pushed the yen clear of the key Y130 level against the dollar. The ruling Liberal Democratic Party's financial stabilisation comyesterday.

chance of concerted multina- pects of further UK interest tional intervention to support the yen, Haruhiko ling yesterday dropped Y0.6 Kuroda, director general of against the yen to Y213.1. The news that the Bank of try's international finance bureau, said yesterday: - Pou "There is always (such a Dec 10 chance)."

Eisuke Sakakibara, vice finance minister for international affairs, said that an

POUND SPOT FORWARD AGAINST

excessively weak yen was England's monetary policy South Korea in the currency markets. Philippa Malmgren, cur-

rency strategist at Bankers ered from conversations planned to intervene soon. The yen rose Y0.9 against the dollar to close in London atorium for 10 to 12 days.

at Y129.0. Michael Wallace, senior currency economist at S&P's MMS in London, said mittee discussed a package significant amounts of yen had been bought against the When asked if there was a pound this week, as prosrate rises diminished. Ster-

ed in New York ---Lathest---

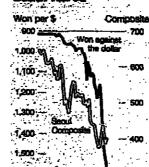
undesirable and that Japan committee had voted unaniwould take appropriate steps mously for last month's interest rate rise made little market impact

The Swiss franc, the safe Trust in London, said on haven from international cri-Tuesday that she had gath- sis, rose on fears for the Talk that Japan would with Japanese ministry of Russian president. The produce a Y10,000bn package finance officials that Tokyo Kremlin said he had an health of Boris Yeltsin, the acute respiratory viral infection and would stay in a san-

> The Swiss franc gained 1.9 centimes against the dollar and 0.6 centimes against the D-Mark to close at SFr1.443 and SFr0.809 respectively. The D-Mark rose 1.2 pfennigs DM1.783, reversing its recent slide.

■ Within 80 minutes of trading opening, the South Kor-ean won plunged to its lower limit for the day of 1,565.9 against the dollar. Few investors believe that the \$57bn rescue package brokered for the country by the kets were proof of that.

Won per \$



International Monetary against the dollar to Fund last week will prove a because Japanese investors

Dec

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

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+0.0001 505 - 508 -0.006 180 - 195 +0.0035 845 - 875

Oct 12 1997

panacea. However, the won's fall money abroad. A large failed to infect other emerging market currencies. Foreign exchange strategists said that the contagion effect, so strong in global markets in recent months, appeared to be fading. The recent gains in equity mar-

Europe
Austria,
Belgium
Denmark
Firland
France
Germany
Greece
Ireland
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Japan Majaysia Majaysia New Zealand Philippines Saudi Arabia Singapore South Africa

■ The yen, given up by dome many for dead, has attract rebounded this week. Avinash Persaud, head of global foreign exchange research at

J.P. Morgan in Europe, cites 🗰 Wi three reasons. Firstly, the repeated threats of interven- bly tion have begun to register with the market. Secondly. Parib almost every investor is already long the dollar, leav- ural ing precious few new potential buyers. And thirdly, says Mr Pershot up by Y10 in a matter of saud, there could be a signifweeks while suffering almost icant side effect of Japan's no reverses. Tokyo does not expected issue of Y10.000bn want investors to think that in bonds. The yen has fallen buying dollars is a one-way

in the last year largely

37.0210 36.8920 6.8350 6.7857 5.4144 5.3701

282,770 279,980

183.000 181.273 183.000 181.270 151.520 150.500 7.8345 7.7818 1.4592 1.4425 1.6625 1.6438 1.1105 1.1030

1,5015 1,4925 7,7455 7,7390 39,0900 38,9900 3,5388 3,5265 129,900 128,350

3.7510 3.7600 1.6267 1.9135 4.8860 4.8710

1588.00 1495.00 32.2450 32.0000 42.4500 41.8000

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262,770 278980 261,545 1,4573 1,4490 1,4518 1756,00 1743,90 1745,52 37,0210 36,7670 36,7115 2,0223 2,0080 2,005 7,2768 7,2253 7,2338

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have been sending their wait for the market to become less bullish about the dollar before intervening. Mr Lynch says that the history of the dollar's fall in 1994-1995 showed that when central banks intervened with the market trend, they succeeded; when they tried pushing the market in a new direction, they did not.

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EURO CURRENCY INTEREST RATES

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These securities have not been registered under the Securities Act of 1933 and may not be offered or sold in the United States or to U.S. persons absent registration or an applicable exemption from the registration regul having been previously sold, this announce

December 1997

U.S. \$105,000,000



11.75% Senior Notes due 2004

The Notes are gueranteed by Hurricane's Kezakhstani subsidiary, OJSC Hurricane Kurnkol Munai. e undersigned privately placed these securities with qualified institutional buyers pursuant to Rule 144A and outside the United States in reliance on Regulation S under the Securities Act of 1933.

Donaldson, Lufkin & Jenrette

Morgan Stanley Dean Witter

ING Barings

RC Securities, Inc. (Member Renaissance Capital Group)

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The interest amount popular per US\$1,000 Note will be U\$\$15.09 and per US\$100,000 Near will be US\$1,500.16 AGENT BANK BARLAN MAKETI ARTA MAKETI

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Floating Rate Notes due 1999

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NATIONAL BANK OF CANADA Flording Rate Notes due 1998 stance with the provisions of the sotice is hereby given that the Rate rest for the three month period or interest for the more more more period ending 10th March, 1998 has been fixed at 6.0375% per annum. The interest accruing for such three moreh; period will be U.S. \$150,94 per U.S. \$10,000 Better Note and U.S. \$1,509.38 per U.S. \$100,000 Beater Note on 10th March, 1998 against presentation of March, 1998 against pr Coupor No. 12. Union Bank of Switzerland London Brunch Agent Benk 8th December, 1997

Guinea to restructure bauxite company

By Kenneth Gooding, Mining Correspondent

The world's largest bauxite exporter, Compagnie des Bauxites de Guinée (CBG), is to be restructured and its position as one of many's VAW. Africa's leading mining companies will be more clearly seen, according to Guinea's minister of

natural resources and energy. Fassiné Fofana. "CBG is already making more money than Ashanti Goldfields." Ashanti reported pretax profits of \$60m for 1996.

the government and Halco, whose make aluminium. This makes the shareholders include Alcan of Canada, Alcoa and Reynolds of second largest producer after Austhe US, Pechiney of France, tralia. Comalco of Australia and Ger-

Mr Fofana said shareholders agreed CBG should have an independent management, the ability to borrow on its own account and "The potential is huge," said be able to market its product internationally rather than just to shareholders.

CBG produces an annual 13m tonnes of bauxite, the raw mate-

CBG is a joint venture between rial for alumina, which is used to West African country the world's

> Previously the government has pressed CBG to build an alumina refinery to add value to the raw material before it is exported. Mr process. Fofana said this pressure has

"The time will come when the new management will decide that it is better to convert (the bauxite) in Guinea." he said. "We must let the market decide when."

to be privatised. "We want to get the government out of the [mining) business and put it on a professional footing," said Mr Fofana. The World Bank helped identify SBC Warburg Dillon Read, the investment bank, to advise on this

Guinea is being advised by London based African Investments in connection with Africa's only alumina producer, Friguia, which in April filed for court protection from its creditors.

It is now the subject of a dis-

foreign aluminium companies nean management. that are shareholders and the government at the Geneva arbitration court.

Mr Fofana claimed the consortium, led by Pechiney of France and also including Alcan, Hydro Aluminium of Norway and Canada's Noranda, failed to invest adequately in Friguia. He suggests \$100m is needed to bring its costs down to normal levels.

Guinea's central bank provided credit so Friguia's staff could be paid at one point but the business -

All of Guinea's mining sector is pute between the consortium of is now self-supporting under Gui-

The government intends to reduce its shareholding in Friguia from 49 per cent to between 15 per cent and 20 per cent and is talking

to other potential partners. "We want Friguia to be a money making machine whereas the [present partners] just want the alumina so that they can make money on downstream products, Mr Fofana said.

Meanwhile, Guinea is talking to foreign companies interested in the country's iron ore potential.

then change," he adds.

pouring its first gold within

13 months and had not

But the investment has

not been just in mining.

Newmont's president prom-

ised ... that, since we were

extracting something irre-

placeable from Peru, we

would put something back."

says Mr Conway. "That gave

rise to our social pro-

Yanacocha drew a 20km

circle round the mine devel-

opment and helps people in that area. It is working with

a variety of government and

charity organisations in

health, education and elec-

trification. The company has

built 10 schools, a college,

medical posts, a hospital and

several drinking water

important' as care of the

environment," says Mr Con-

way. "Social responsibility is

a pre-requisite for mining

"Social programmes are as

stopped expanding since.

Iraq adds to pressure

MARKETS REPORT

By Robert Corzine and Kenneth Gooding

Oil prices fell yesterday on a mixture of bearish factors. The recent perception that there may be a global glut the making was reinforced by a statement from Iraq, which said it could resume exports within weeks if it reached agreement with the UN on aid distribution.

our production plans may In afternoon trading on London's International Back in August 1992, when Petroleum Exchange the the Newmont board threw price of Brent Blend for Janits hat into the Peruvian uary delivery fell to \$17.42 a ring it looked a bold decibarrel, seven cents above its sion. Peru was applying a low for the year of \$17.35, harsh economic stabilisation recorded in June. It later programme to curb hyperin-flation and terrorism was recovered to about \$17.60 a barrel, still well below Tuesrampant. In spite of the day's close of \$17.92. problems. Yanacocha was

Some traders said the fall was exacerbated by institutional selling on the New York Mercantile Exchange, although one London trader said he saw little evidence of it. There was, however,

some trade selling. Oil has fallen steadily since the Organisation of Petroleum Exporting Countries agreed a 10 per cent rise in its production ceiling nearly two weeks ago.

Gold recovered from the 18-year low reached on Tuesday to close in London at \$285.35 an ounce, up \$3.20 from Tuesday's close. Dealers said sentiment remained extremely bearish, however. In contrast, silver raced to a 21/2-year high of \$5.835 an ounce at the London daily fixing, after another sharp drop in New York Commod ity Exchange silver stocks to their lowest for 18 years. The fall was seen by some as evidence that a syndicate of banks and hedge funds,

here. You must have a workforce and a population that reasonably supports you."

Sally Bowen

Freeport to cut dividend

By Nikki Tait in Chicago

The recent fall in gold and term". He said that the move copper prices is forcing Freeport Copper & Gold, the US mining company which controls the huge Grasberg copper and gold mine in Indonesia, to slash its dividend payout by more than \$100m annually to help preserve cash.

Freeport is the second big US mining company to make such a move. Last month, Newmont Gold, the largest of the US gold miners, announced that it would be cutting its quarterly dividend from 12 cents to 3 cents because of the sharply lower

gold price. Freeport, based in New Orleans, said yesterday that from the first quarter of next year it would reduce the dividend on its "A" and "B" common shares to 5 cents a quarter, or 20 cents annually, from the current 90 cents a year. It said it would not alter dividends on its preferred stock, but its common stock plunged sharply on the news, losing \$3%, or more than 5 per cent. to \$161/4 in early trading.

Nevertheless, James Moffett, Freeport chairman, described the move as "prudent" in the light of the "currently low copper and

gold commodity prices and the outlook for the near was designed to increase ity and allow it to maintain its exploration programme.

According to Freeport's latest quarterly results, cash dividends on the common stock cost the company around \$135m in the first nine months of 1997, and it estimates that the dividend reduction will save it about \$33m each quarter.

Meanwhile, Freeport said that next year's estimated capital and exploration expenditures were under review, but analysts' estimates lie in the \$200m to \$300m range. Exploration expenditures are likely to be

similar to this year's \$20m. In the third quarter of 1997. Freeport reported a drop in net profits to \$36.6m. compared with \$46.1m a year earlier, in spite of a 17 per cent increase in copper sales volumes and a 25 per cent boost to gold volumes. It blamed lower gold and cop-per prices for the shortfall.

In the third quarter of this year, gold prices were about 16 per cent lower than in the comparable period of 1996. Copper prices have also been slipping in the latter half of

t today's depressed prices there are few gold mines in the world that can honestly say they are making a bandsome profit. Peru's Minera Yanacocha, the largest and lowest-cost producer in Latin America, is one of them.

Expansion at Yanacocha a joint venture between Newmont Mining of the US, and Buenaventure, a longestablished local company is to continue. Last week company officials announced that production in 1997 would exceed 1m troy ounces and rise to some

1.15m ounces next year. The 62,000-acre mine site is in Cajamarca, one of Peru's poorest regions, and investment has totalled more than **\$270m** to date.

The gold in Yanacocha is disseminated - spread through the rock as opposed to lying in seams. This preempts the need for expensive crushing of ore. Crumbling rock is simply scooped up and deposited on leach pads areas where it is spread out and treated with cyanide to remove the gold.

Cash costs are currently less than \$100 an ounce, total costs including financing not more than \$130. The company says it "would still be profitable with gold prices at \$200 an ounce". On Tuesday gold fell to \$283.25, its st level for 18 years. By next year, the mine site will have a total of five pits, ruling which it hopes will



Yanacocha's leach pads pre-empt the need for expensive crushing of gold ore

three leach pads and two processing plants. A new processing plant comes on stream this month and a \$100m investment is expected next year, primarily in expanding leach pads.

Yanacocha is very important to Newmont. It has been fighting a long legal battle with Normandy Mining to prevent the Australian company from taking a stake in the mine after it bought BRGM of France, one of the original Yanacocha partners. Now Newmont is waiting for a Peruvian court

confirm that it has a 51 per cent controlling stake. That importance was underlined last month when

the company announced that Lima was to become the headquarters of Newmont Gold Company - its South American exploration investment for some time. operations. The company, 94 "The upside potential per cent owned by Newmont Mining, is the world's second-largest gold producer. "Peru provides a great

base of operation," says Ronald Cambre, chairman of Newmont Mining. Peru's "stable economic and politi- lings of these will be cal environment" were the announced next July and

chief factors in the board decision. Newmont has registered claims to a further 1.3m acres of mineralbearing land in Peru.

Yanacocha will But remain the company's most significant South American "The unside potential of

Yanacocha still looks verv great," says Thomas Conway, general manager of Yanacocha. He says four possible deposits have yet to be thoroughly explored. "Some results on test dril-

which has been building a big silver position, was N 30 ... tightening its grip on the STERNSEY 温度: 医电路

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COMMODITIES PRICES

BASE METALS LONDON METAL EXCHANGE (Prices from Amalgamated Metal Trading) E ALUMINIUM, 99.7 PURITY (\$ per tonne)

| | Cash | 3 mths |
|----------------------|----------------------|---------------|
| Close | 1558- 5 9 | 1579-80 |
| Previous | 1553,5-54,5 | 1574.5-75.0 |
| High/low | | 1587/1575 |
| AM Official | 1554.5-55.0 | 1575-75.5 |
| Kerb close | | 1577-78 |
| Open int. | 260,410 | |
| Total daily turnover | 78,822 | |
| E ALUMINIUM AL | LOY (\$ per to | nne) |
| Close | 1410-20 | 1430-40 |
| Previous. | 1417-22 | 1440-42 |
| High/low | | 1450/1431 |
| AM Official | 1408-13 | 1431-32 |
| Kerb close | | 1435-40 |
| Open Int. | 6,027 | |
| Total daily turnover | 1,262 | |
| ELEAD (\$ per ton | ne) | |
| Close | 517.5-8.5 | 534-5 |
| Previous | 516.5-17.5 | 533-34 |
| High/low | | 541/533 |
| AM Official | 5125-135 | 529-30 |
| Karb çiçsə | | 541-2 |
| Open int. | 32,384 | |
| Total daily turnover | 7,535 | |
| NICKEL (5 per t | onne) | |
| Close | 6065-75 | 6160-70 |
| Previous | 5975-80 | B070-75 |

Previous
High/low
AM Official
Kerb close
Open int.
Total daily furnioner 21,387 III TIN (\$ per tonne) Close Previous High/low AM Officia 5480-90

III ZINC, special high grade (S per tonne) High/low AM Official 1104-05 1131-32 1164-65

62,907 26,655 ME COPPER, grade A (\$ per tonne 1779-80

III LIME AM Official S/\$ rate: 1,6470 Spot: 1.5501 3 mile: 1.6434 6 mile: 1.6362 9 mile: 1.6303

| | Sett | Day's | | | | Open |
|----------|-------|--------|-------|-------|-------|--------|
| | price | change | High | Low | Vol | int |
| lec | 80.50 | -0.10 | 81.25 | 80.30 | 897 | 1,624 |
| 88 | 81.05 | -0.15 | 82.00 | 81.00 | 107 | 2,857 |
| - | 81.70 | -0.15 | 82.00 | 81.90 | 74 | 1,871 |
| | 82.20 | -0.05 | 83.00 | 81.80 | 3,447 | 32,599 |
| Pf" | 82.70 | _ | 82.90 | 82.90 | 141 | 1,478 |
| | 83.10 | - | 83.75 | 83.10 | 230 | 4,780 |
| | | | | | 5,135 | 84,577 |

LONDON BULLION MARKET

| Gold(Tray az) | \$ price | viupe 2 | SFr equin |
|----------------|---------------|---------|-----------|
| Close | 283,90-284,40 | | |
| Opening | 285.00-285.50 | | |
| Morning fix | 285.05 | 173.22 | 415.03 |
| Afternoon fix | 286.30 | 173.57 | 414.22 |
| Day's High | 288.20-268.70 | | |
| Day's Low | 283,70-284,10 | | |
| Previous close | 283.70-284.10 | | |

Silver Fix Spot 3 months 354,85 357.00 579.05 £ equiv. 174-175 \$ price 287.5-289.5

Precious Metals continued ■ GOLD COMEX (100 Troy az; \$/troy az)

+3.8 288.5 284.2 486 977 +3.8 284.7 284.7 4 4 +3.7 290.7 284.4 40.971 111.5k +3.7 292.5 286.3 1,003 12.083 45,415 197,049 PLATINUM NYMEX (50 Troy oz.: \$/troy oz.) PALLADRUM NYMEX (100 Troy oz.; \$/troy oz.) 209.85 +0.45 211.00 210.00 9 235 206.86 +0.45 209.00 204.10 247 3,842 203.45 +0.45 - - 2 230 200.45 +0.45 - - 2 4 SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

ENERGY E CRUDE OIL NYMEX (1,000 barrels, \$/barrel)

18.16 -0.57 18.80 18.15 30.792 95.614 18:16 -0.97 18:89 18:15 30,742 53-015 18:46 -0.06 19:04 18:46 20,005 76,785 18:56 -0.42 19:15 18:54 4,710 35,730 18:52 -0.36 19:22 18:52 3,411 23,701 18:59 -0.37 19:30 18:59 1,418 22,898 19:02 -0.29 19:37 19:00 5,001 35,347 79:00 18:54.77 Latest Day's price change High Lew Vol let 17.57 -0.35 18.00 17.40 16.474 45.159 17.69 -0.29 18.07 17.55 16.762 67.369 17.73 -0.25 18.09 17.73 2.514 13.309

52.65 -0.95 53.76 52.40 2,843 17.24 52.15 -0.71 53.15 52.10 1,157 8,805 51.70 -0.46 52.32 51.70 1,303 6,924 51.55 -0.36 52.10 51.55 2,178 8,550 20,274 144,000 158.00 -5.50 163.50 157.75 9.040 9.588 198.90 -5.00 164.75 199.25 15,479 28,196 169.90 -5.00 164.75 199.25 15,479 28,196 161.00 -4.00 164.75 160.50 5,314 15.554 161.00 -3.50 164.00 161.00 1.877 11,548 161.50 -2.75 164.00 161.50 665 4,806 161.50 -2.50 164.00 161.50 134 2,950

18,622 99,655 MATURAL GAS PE (1,000 theres, peace per there) 18.750 -0.200 18.850 16.720 200 3,660 17.090 -0.020 17.100 16.950 185 3,220 990 13,870 M NATURAL GAS RYMEK (10 000 paugal; \$50000)

2.395 -0.131 2.570 2.381 25,786 43,776 2220 -0.040 2290 2220 1,822 11.746 2.195 -0.028 2240 2185 859 9,571 2200 -0.013 2230 2190 541 8,811

54.35 -1.82 56.35 54.25 12.169 32.518 54.90 -1.46 55.70 54.90 58.55 19.919 55.80 -0.96 57.10 55.70 1.206 11.293 37.45 -0.94 58.83 58.40 427 9.048 58.30 -0.99 58.80 58.30 377 8.98 58.00 -0.69 58.50 58.00 358 6.591 21,136 \$9,073

GRAINS AND OIL SEEDS ■ WHEAT LIFFE (100 tonnes; £ per tonne) 17 966 40 2,900 8 3,756 45 413 82.10 +0.50 82.10 81.60

■ WHEAT CBT (5,000bu min; cents/60b bushel) 344.50 - 345.50 342.75 1,332 1,059 385.50 -1.25 361.25 385.00 14,794 54,372 365.50 -0.75 388.00 365.00 1,126 11,283 389.75 -1.25 372.00 389.00 1543 18,662 376.00 -1.00 376.00 376.00 6 422 385.00 -2.00 387.00 383.25 72 3,387 M MAZZE CBT (5,000 bu min; cents/56to bushel) 269.25 -1.75 272.50 269.00 7,874 15,400 .261.50 -0.25 283.25 281.00 43,221 182,828 288.75 -0.25 290.00 288.25 4,043 44,245 292.75 -0.75 294.25 292.50 5,563 55,000 288.75 +0.25 289.00 288.00 348 5,164

■ BAPILEY LIFFE (100 tonnes; £ per tonne) MI SOYABEANS CET (5,000bu min; cath/60b bushel) 713.00 +6.00 714.00 705.50 28,802 85,183 715.50 +6.00 716.00 708.00 8,582 32,106 718.75 +4.25 719.50 712.50 23.30 22,070 720.25 +3.75 720.50 714.00 1,896 22,751 715.00 +2.25 716.00 712.00 242 2,567 693.25 +0.25 694.00 693.25 2 184

28,102 155,151 SOYABEAN OIL CET (60,000lbs: cents/lb) 25.04 +0.19 25.08 24.90 4.819 3.057 25.24 +0.17 25.30 25.01 11,512 41,408 25.62 +0.10 25.68 25.40 4.176 34,183 25.85 +0.05 25.88 25.62 1.331 13,779 26.00 +0.09 25.00 25.75 755 11,722 25.91 +0.01 25.95 25.85 322 2,728 23,407 109,339

SOYABEAN MEAL CET (100 tons; S/ton) 21,080 121,666 Total

POTATOES LIFFE (ZU tonnes; £ per tonne)

Total

COTTON NYCE (50,000lbs: cents/lbs)

1285 +35 1285 1275 91 288 1300 +20 1310 1295 35 714 1290 +10 1295 1285 7 34 1395 +11 1380 1395 7 402 1205 +5 1205 1200 7 131

Člese Prev 1251 1221 PULP AND PAPER E PULPEX OMLX (US\$; 24 air dry tons)

499.00 -4.50 505 00 499.00 FUTURES DATA All futures data supplied by CMS.

Minor metals from Metal Bulletin
European free market, \$ per ib in warehouse (changes in brackets), Antimony;
99.65%, \$ per tonne, 1.560-1,630 (1.5901,690), Blearneth: min. 99.95%, tonne lots
3.20-3.35. Cadmitum: min. 99.95%, cents a
pound, 35.00-40.00 (30.00-40.00, CobattMB free market, min. 99.9%, 25.25-26.00
(25.25-26.25); min. 99.3%, 19.80-19.30
(19.10-19.60), Mercuny: min. 99.9%, 5
per 76 B flask, 140-150. Molyhdenum;
drummed molybolic coide, 3.60-3.95, Seleslure: min. 99.5%, 2.00-3.00. Tungsten
ore: standard min. 65%, 2.00-3.00. Tungsten
ore: standard min. 65%, 5 per tonne unit
(10kg) WO, CIF, 40-62. Vansadism: min.
95%, CIF, 4.65-4.85 (4.35-4.50).

E COCOA LIFFE (10 tonnes; £/tonne) +14 7054 1038 24 1,138 +13 1685 1061 3,357 70,621 +13 1103 1079 235 24,652 +13 1118 1096 91 11,449

269 23,353 5,027 181,397 1650 +59 1650 1590 26 57 1671 +53 1674 1518 4,434 48,080 1697 +52 1700 1545 708 18,980 1717 +62 1702 1687 41 4,706 1736 +52 1715 1708 47 5,654 1757 +52 1727 1727 19 3,143 5,251 78,45 Dec Mar May Jul Sep Dec Total

COFFEE LIFFE (5 tonnes; \$/tonne) 1835 +88 1840 1782 4288 13,430 1830 +75 1837 1776 6,494 22,545 1810 +88 1820 1769 1,326 6,117 1800 +65 1800 1765 84 1,312 1800 +65 1800 1800 57 674 1805 +65 - - 30 75.40 +0.10 75.30 75.30 12 381 Sep 1800 +65 1800 1785 84 1,31z
75.40 +0.10 - - - 1,492 Merr 1805 +65 - - - 30
79.10 +0.10 - - - 20 Tetal
79.75 -0.50 - - 65
81.75 -0.50 - - 65
12 1,984 Dec 188.00 +0.50 182.5 187.50 168 759
Merr 182.50 -0.50 188.50 181,7071,145 18.193 188.00 +0.50 193.25 187.50 166 759 182.80 -0.60 188.80 181.7071,145 19,193 176.50 +0.30 181.00 175.50 2,943 8,195 188.59 +1.30 177.00 167.00 388 2,510 180.50 +1.30 162.50 158.00 126 1,186 155.00 +1.30 155.00 152.00 137 1,021 14,943 31,132 COFFEE (ICO) (US cents/pound)

WHITE SUGAR LIFFE (50 tonnes; S/tonne) 398.2 -1.6 309.5 308.0 1.595 22.100 313.6 -0.2 314.3 313.7 346 6,687 315.5 -0.2 316.3 315.5 381 4,824 308.6 - 310.5 308.5 320 4,824 310.9 -0.1 - - 143 2,822 37,473 M SUGAR "11" CSCE (112,000lbs; cents/lbs) Mar May Jul Oct Mar May Total 12.25 -0.08 12.37 12.2414,883 116.1k 12.16 -0.08 12.27 12.15 3,259 31,500 11.94 -0.05 11.91 11.83 817 28,050 11.71 -0.01 11.74 11.89 833 24,736 11.55 +0.01 11.57 11.55 25 6,668 11.48 - 1 948 11.27 208,078

68.05 +0.38 68.30 67.20 6.459 43.416 69.38 +0.31 69.60 68.50 2.030 14,550 70.55 +0.24 70.80 70.05 2.069 15,374
72.70 - 72.70 72.50 180 13.16
73.54 -0.03 73.50 73.50 873 11,206
74.55 -0.05 74.50 74.50 82 322
71,897 86,561 M ORANGE JUICE NYCE (15,000lbs; cents/bs) 83.00 -0.15 83.75 80.90 3,863 21,879 88.35 - 88.70 84.00 3,164 15,723 88.45 -0.05 89.90 87.50 422 3,595 95.40 +0.05 - 26.50 20.0 78 1,990 95.40 +0.05 - 6.0 988 97.55 +0.15 98.00 95.00 8 1,194

VOLUME DATA Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are

Routers (Base: 18/9/31 = 100) CRB Futures (Base: 1967 = 100) Dec 9 Dec 8 month ago year ago 237.12 238.26 © GSCI Spot (Base: 1970 = 100) Dec 9 186.44 month ago year ago 204.34 216.54 649,400 42,380 342,000 115,350

MEAT AND LIVESTOCK ■ LIVE CATTLE CME (40,000lbs; cents/fbs) Sett Day's Open Price change High Low Vol act 67 125 AD 025 67 375 67 050 3 351 10 206 Dec Feb Apr Jan 67.850 -0.175 67.975 67.550 6,641 70.725 -0.325 71.125 70.700 2,589 69.800 -0.250 70.125 89.750 713 13,508

72,850 +0.050 73,000 72,800 25 70 26 57 Pec 62.275 -0.625 62.800 62.200 2.239 6.114 8 4,434 46.800 Pec 62.275 -0.075 60.725 60.100 4.584 20.316 5 708 18.960 Apr 57.250 -0.225 57.480 57.050 550 7.857 7 41 4,706 Jens 65.775 -0.075 65.250 65.050 470 4,330 8 47 5.554 Jed 64.025 -0.125 64.150 63.950 270 1.334 7 19 9,143 Apg 61.950 -0.100 51.950 61.750 25 213 5.253 57,845 Total

Feb 56.100+0.575 56.200 54.300 1.621 Mar 55.400+0.550 55.590 54.300 49.4 May 56.675+0.326 55.800 54.300 79 Aug 52.275+0.625 52.800 52.275 3 Total

LONDON TRADED OPTIONS Strike price \$ tonne --- Cells --- --- Puts ---COPPER (Grade A) LME

LONDON SPOT MARKETS E CRUDE OIL FOB (per barrel) \$16.61-8.75 \$17.01-7.03 -0.48 \$17.56-7.56 -0.48 -0.50

\$161-163 Heavy Fuel Off Naphtha Jet fuel \$182-184 \$172-173 ■ NATURAL GAS (Pence/therm)

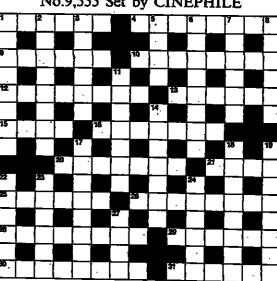
16.70-16.80 -0.25 Gold (per troy cz) Silver (per troy cz) Platinum (per troy cz.) \$207.75 Copper Lead (US prod.) Tin (Kuala Lumpur) Tin (New York) 86.0e +1.0

-0.68

Cettle (live weight) Sheep (live weight) Pigs (live weight) 96,45a +6.60* 94.84p 65.19p +3.33° +5.12° Barley (Eng. feed) Malze (US No.3 Yellow) Wheat (US Dark North) 54.50p Coconus Oil (Phil)§ Pairn Oil (Malay.)§ Copra (Phil)§ Copra (PTRI)S
Soyabeans (US)
Cotton Outlook A' Index
Wooltops (64s Super)
E per zone uriests otherwise at
r ingulfrig. In Melayate at
Victorion Physical. S CF R
Cons. C Demon. on a seat. 158

JOTTER PAD

CROSSWORD No.9,555 Set by CINEPHILE



EC's fighting observed (6)
 A taste of the countryside for a pious baronet? (8)

10 Leave some equestrians in 14 The white is second in a 12 EC inhabitant to give name to ship (8) mprovement to appear on

trouser-leg with inversion 18 Irresolute person gets more 15 Cryptic attachment to highway? (4) 16 EC's multistorey pub? (7) 20 EC is in luv (correction

20 EC is in inv (correction required) (7)
21 EC costume no. 1 (4)
25 Food is inclined to make one bleed (6)
26 Enthusiasm about covert hint for overhead projections? (8)

20 EC is in inv (correction (a.c.)
22 EC gave us White Christmas (6)
23 EC to struggle with backward girl (6)
24 EC in a train crash (6)
27 Paid to eat (4) tion? (8) 28 EC inhabitant on duty ini-

tially in solitary (8)
29 At last a tailless bird for 30 Need a tip? Could be far from spring (4,4)

31 Nuts delivered by EC (6) DOWN I Ibsen's work used to be 2 Pretty girls may be bussed 3 A cat in charge of a num-

ber of protons (6)

Solution 9,554

ing posh politician (8)
7 EC would be a pest with

the Bronze Age stronghold

appalling with the inser-

There go the first potatoes!

19 Premature retirement?

left for right (6) 8 EC's a model for birds (6)

light unit (7)

GUERNSEY

(REGULATED)(")

OFFSHORE

BERMUDA (FSA RECOGNISED)

BERMUDA

AND OVERSEAS

Offshore Funds

- 200 mm - 200 - 200 mm - 200

☆ オッ M JERSEY



Iraq adds to MARKETE NEP

THURSDAY DICEMIN R 11 10.

By Robert Certains with Memically Considerate

the prices tell verticals supplied to the transfer reinflured by a such frame from which the chart the first of later of meers with the longer of the state of the st

In afternoon bridge fourier. intermet battatenten gehinfe faller of the of Deal less uses deigness will have him to the season of the butter of the west party. forth. Mercantine father all thought are father to the father than the father wild be new toply ending M. There was home under trade wilder Oil has talled steg

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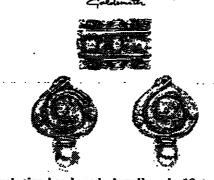
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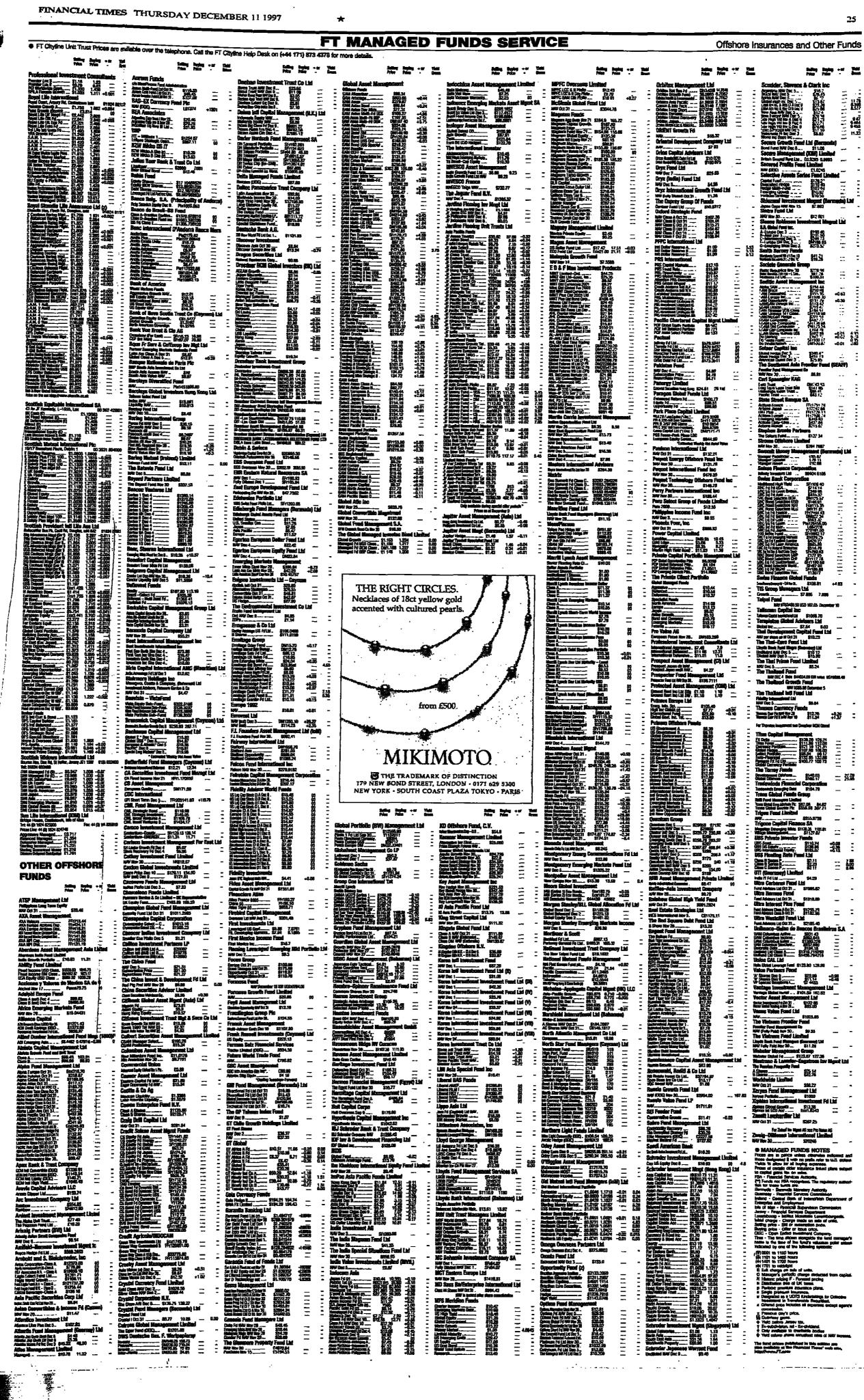
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FINANCIAL TIMES THURSDAY DECEMBER 11 1997 **XIL EXPLORATION & PRODUCTION US Power Industry** on Tuesday February 3 1998 For further information please contact:

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Far east and US shadows fall on UK stocks

MARKET REPORT

By Steve Thompson. UK Stock Market Editor

London shares extended back around 4 ticks, removing Tuesday's losses as worries about one of the recent props under the the potential for further turbu- equity market. lence in the far east returned to haunt European markets.

a burden for an equity market mittee that the last rise in UK already hit by the weak performance of Wall Street overnight increase in November - was and again in early trading yester-

The Dow Jones Industrial Average threatened a threefigure fall not long after London closed. Also weighing on equities

was a modestly disappointing ond and third line stocks were stocks, HSBC and Standard Charoutcome to the gilts auction, which was covered only 1.77 times compared with expectations of 2-2.5 times. Cilts drifted

Further unsettling news for shares came with confirmation Those fears proved too much of from the monetary policy cominterest rates - the 25 basis point unanimous and that further increases might be necessary to contain inflationary pressures.

The FTSE 100 index closed the session 46.4 off at 5,130.7. Downside pressures on the sec-

FTSE 250 index again outperthe FTSE SmallCap ended a net 0.5 lower at 2.305.1. Dealers were not too depressed

by London's showing, pointing French banks, Paribas and Socout that the factors behind the Footsie's move above 5,200 in Kleinwort Benson and Allianz. recent sessions remained intact. "The share buybacks and take-

over stories are still around and the institutions remain stuffed with cash," said one trader. The banks and insurance sec-

tors, alive with bid speculation for so long, took a back seat yesterday with the far east sensitive

much smaller, however. The tered, coming under heavy fire. But some banking specialists formed the senior index, and said UK stocks might well react

gave up only 12.3 to 4.769.3, while positively to speculation that further pan-European mergers might be on the cards, specifi-cally between two of the leading Gen, and Germany's Dresdner

> There was some actual takeover news to keep the specula- in the pound with the Bank of tors happy; Christies International, the auctioneers, said it had received another approach that could lead to a full bid.

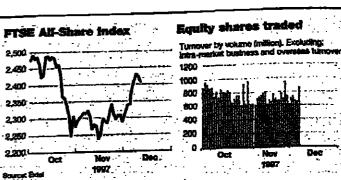
Retail stocks, already buffeted by Tuesday's rather gloomy report from the British Retail

Consortium, took another pounding after a disappointing trading update from Kingfisher.

The high street retailer said its electrical goods division, Comet, had experienced a significant slowing in sales in the third quarter - news that spilled over to affect other electrical specialists, such as Dixons.

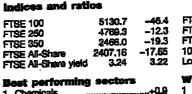
There was some comfort for the big exporters from a decline England's sterling index dipping below the 104 mark for the first time since November 26.

Turnover in equities was a rather disappointing 775m shares, with non-Footsie stocks accounting for around 54 per cent.



Water Diversi

Alcoholic Bevs



FT 30 FTSE Non-Fins p/e FTSE 100 Fut Dec 10 yr Gilt yletd 6.46 Long gilt/equity yld ratio 1.99

1 Insurance . Engineering: Vehicles Sanks: Retail Building & Construction 5 Tobacco

Railtrack under pressure

By Martin Brice, Penelope Clayton and Peter John

Railtrack shares once again exhibited their sensitivity to tors took fright at the latest statement from John Swift, the rail regulator.

A wave of sustained selling sent the stock back down through the £10 level. The shares shed 84 to 996p, the biggest fall in the FTSE 100.

Volume was a brisk 4.4m. Some specialists saw the share price fall as a simple over-reaction to the statement, which talked of more challenging targets for cost efficiency gains and performance, but not for three years. However, the shares have had a good run recently and there was said to be some profit-taking in

The statement focused on the issue of charges made to by 11 to 630%p and the sentitrain operating companies to ment spread to others in the use Railtrack's lines, and sector. shares in these companies outperformed the market on fered significant declines, hopes that they would pay

coach, gained 81/4 to 785p as Developments down 81/4 to the shares shrugged off 225%p. However, volumes recent fears of regulation of its railway stock leasing subsidiary. FirstBus firmed to tions that investors should 223%p, Go-Ahead Group rose have welcomed an indication 51/4 to 529p, and National that the housing market was Express gained 11/2 to 6091/sp. slowing down, and Kevin

The fall-out in east Asia Cammack at Merrill Lynch rippled over to companies linked to the region, particularly HSBC and Standard

The Hong Kong stock market fell sharply before the opening of the UK market and HSBC, which represents a large proportion of the Hang Seng index, fell 84 to £15.46 in the HK\$ stock while Standard dropped 35 to

Their weakness helped depress the UK banking sector with National Westminster, which has been fuelled by takeover speculation, falling 17 to 999p, and Lloyds TSB, which has been seen as a potential rival bidder for NatWest, shedding 131/4 to 757p. However, Barclays. which has been tipped as a potential aggressor for Nat-West, gained 26 to £16.65 in se to an earlier recom-

mendation from Cazenove. Housebuilding stocks continued to suffer in the wake of results on Tuesday from Berkeley Group, in which the company expressed caution about the rate of demand for houses.

Berkeley continued to fall,

Most of its peer group sufwith Bryant Group shedding 61/2 to 1061/sp, Beazer Group The largest of them, Stage- off 81/2 to 155p, and Barratt were not exceptional.

There were some sugges-

these stocks now, but they are utterly friendless."

A slower outlook for building companies was also said to be behind the fall at Blue Circle, which lost 10 to 325p. The fall-out spread to Polypipe, which makes plastic pipes. It suffered one of

the largest falls in the FTSE 250 - down 11 to 184%p. GKN was off 46 at £12.64 as the old stories went the running out of steam." rounds of it losing a contract with Renault and of a possible delay of a helicopter order from the Canadian government. BZW was said to have adopted a much

stock. Food retailers remained a feature as leading stocks featured prominently in the list of FTSE 100 risers amid

more cautious stance on the

target Safeway achieved the buying opportunities in it gained 17 to 355p in chunky volume of 12m, while Asda, the company tipped as a potential predator, gained 1% to 175%p in

volume of 8.3m. Sector focus was also provided by a research note from Credit Lyonnais Laing, which recommended investors to reduce their holdings. tricity generators. Paul Smiddy at the broker told clients: "The sector is

He believed that the "safe haven" status of the stocks was not enough to justify the present 15 per cent premium to the market, and that progressive weakening of sterling in the first half of its annual profit target of 102%p, compared with a pla-1998 would diminish the food retailers' attractions.

He recommended clients for 1996. to sell Sainsbury, down 6 at 511p and Tesco, unchanged heavy volume. Possible bid at 506p in volume of 2.7m.

FT 30 INDEX

Dec 10 Dec 9 Dec 8 Dec 5 Dec 4 Yr ago "High "Low 3267.4 3291.9 3291.5 3279.8 3264.4 2751.7 3490.3 2668.8 3.48 3.43 3.42 3.44 3.47 4.14 4.22 3.29 21.26 21.46 21.47 21.35 21.18 16.57 22.33 15.8 20.97 21.17 21.18 21.05 20.99 16.52 22.02 15.71 days left 3.003 16.00 FT 30 hourly chang

Open 9.00 10.00 11.00 12.00 18.00 14.00 15.00 16.00 High Low 3292.0 3268.7 3267.2 3269.5 3258.5 3256.3 3255.8 3252.5 3258.7 3292.0 3248.0

Dec 10 Dac 9 Dec 8 Dec 5 Dec 4 Yr ago 48,473 52,107 - NA - NA - NA 59,302 82,682 62,014 34,935 2793 3134.8 2276.3 1387.9 52,690 54,649 49,985 17,801 789.9 883.7 683.5 410.1

Rises and falls* Total Rises Total Falls Same 52 Week highs and lows LIFFE Equity options

He also said a merger of said: "There are some great largest rise in the Footsle as Safeway and Asda would "undoubtedly revive old

> ity of industry margins". RJB Mining jumped 20 to 180p, making it the best performer in the FTSE 250 index, after the prime minister said that the mining group had made long-term deals with the main UK elec-

> Share in Q Group, the AIM-quoted educational publishers, rose 20 per cent. Bargain-hunters were said to be buying the stock, which was close to the year's low

> before rising 11 to 64%p. The group's broker said the company was set to meet £1.55m by December 31. reversing an operating loss

Glaxo Wellcome dropped 14 to £14.26 despite generally positive comment following an analyst and investor visit to the drug company's research headquarters on

Tuesday.

The stock enjoyed a strong run ahead of the briefing, gaining 10.7 per cent through the past seven sessions. Dresdner Kleinwort Benson repeated a "sell" rating on the stock.

David S. Smith, the pack aging and paper group, slid 8% to 196%p as the company announced figures and said it would continue to suffer if sterling maintained its current exchange rates against European currencies. Peter Williams, the chief executive said if the pound held at the current DM2.96 level. it would result in a further deterioration of £6m-£7m in its results for the current financial year.

don underwriting fund, rose 8 or almost 6 per cent to 146p after the company posted higher half-year profits, up from £7.6m to £10.2m. Energis, which was floated

saw subdued trading vester day after brokers took a cau-

tious view on the outlook, concerns of the sustainabil-ABN Amro Hoare Goveti issued an analysis yesterday that valued the stock at as

little as 260p a share. Also, it was believed that US investors, who have been very keen on UK public offerings recently and might well have been supportive of the Energis float, might take profits soon. The shares dipped slightly to 291%p.

Razorback, an Australian group that produces a did not exactly hog investors' attention on its first day of trading. The AIMquoted shares closed at

EITTURES AND OPTIONS

| | Open | Sett price | Change | High | Low | Est. vol | Open int |
|--------|----------|------------|-----------|------------|-----------|----------|----------|
| Dec | 5155.0 | 5140.0 | -38.0 | 5165,0 | 6100.0 | 12494 | 50777 |
| Mar | 5208,0 | 5190.0 | -36.5 | 5212.0 | 5160.0 | 4857 | 17157 |
| E FTSE | 250 INDE | FUTURES | (LIFFE) É | 10 per fut | index pol | <u> </u> | |
| Dec | 4780.0 | 4782.0 | -3.0 | 4782.0 | 4780.0 | 500 | 6094 |
| Mar | 4856.0 | 4859.0 | -3.0 | 4859.0 | 4856.0 | 500 | 2559 |

FTSE 100 INDEX OPTION (LIFFE) (5127) \$10 per full Index point

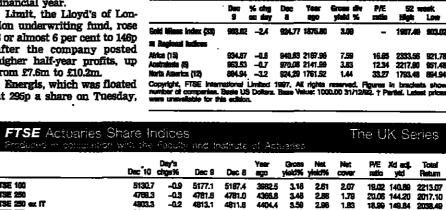
Vehicle loading mechanism. ■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) 210 per tull index point

cing price of 102p. LONDON RECENT ISSUES: EQUITIES TRADING VOLUME lesue Amt Mic. price paid cap p up (2m.) High Low Stock \$ F.P. 51.1 102 99¹2 Advance UK Tst - F.P. 1,354 30¹2 29¹2 BG Ts' - F.P. 13.7 21¹2 16¹2 Bousteed 200 F.P. 200.0 204¹2 165 Bovis Homes BOO F.R. 188 1941 1975 1975 1976 +2 102 30¹2 20¹2 195

| | F.P. | | | | †CRC | 13112 | -3 | W- | - | - 23.6 | ı |
|-------------|--------|--------------|----------|---|---------------------|--------------------|-------------------|-------|-----|------------|---|
| . § | F.P. | 6.92 | 114 | 11312 | Capital Opps Tst | 11312 | | - | - | | 1 |
| 5- | F.P. | 2.59 | 73 | 63 | Cornland Comm | 65 | -3 | - | - | - 16.5 | 1 |
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| | F.P. | - | £177 | £168 | Firmg Grd Units | £177 | | - | - | | 1 |
| | F.P. | 184 | | 85 | Foresignt Tech | 65 | | - | - | | 1 |
| - | F.P. | 1.00 | | | Do Warnerts | 25 | | - | - | | ı |
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| | F.P. | | | | †Market Link Publ | 55 | | - | - | - 11.7 | 1 |
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| | F.P. | | | | Notthan: Forast | 54 | | | • | | ı |
| | FP. | B.12 | 612 | - 6 | †Renge Cooker Co | | • | - | _ | - 122 | 1 |
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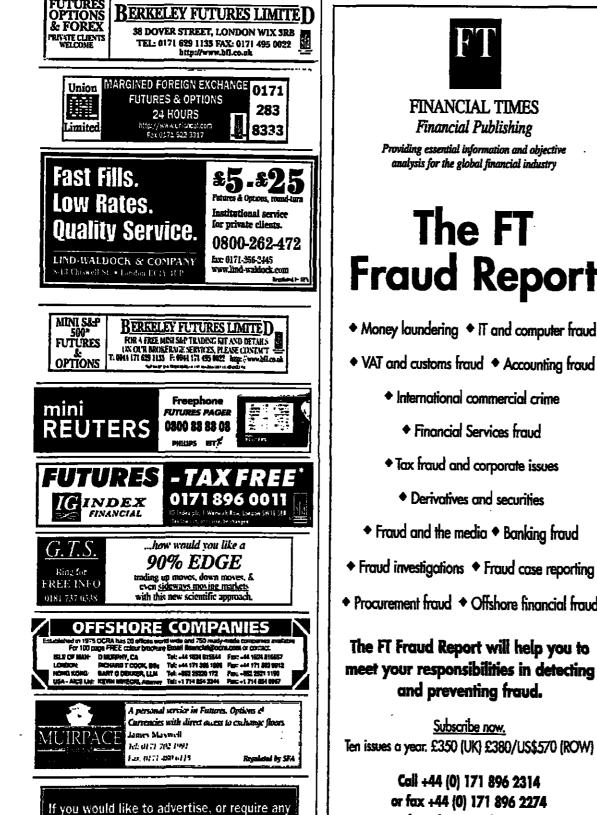


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ytd | . Total
Return |
| FTSE 100 | 5130,7 | -0.9 | 5177.1 | 5187.4 | 3982.5 | 3.18 | 2.51 | 2.07 | | 140.89 | |
| FTSE 250 ex (f | 4789.3
4803.3 | -03
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4404.4 | 3.48
3.59 | 2.88
2.98 | 1.79 | | 144.20 | 2017.10 |
| FISE 350 | 2486.0 | -0.8 | 2485.3 | 2489.3 | 1978.7 | 3.24 | | 1.83
2.01 | 18.21 | 149.84
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2173.48 |
| FTSE 350 ez. IT
FTSE 350 Higher Yield | 2469.9
2453.6 | -0.8
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2485.3 | 1882.6 | 3,26
4,18 | 2.67
3.47 | 2.02 | 18.99 | | 1176.47 |
| FTSE 350 Lower Yest | 2491.3 | -1.0 | 2516.D | 2524.7 | 2072.1 | 2.43 | 1.97 | 1.84
2.26 | 16.26
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1790.83 |
| FTSE SmallCap ex IT | 2305.10
2305.72 | +0.1 | 2305.59
2304.08 | 2304.29
2301.98 | 2137.42
2138.35 | 3.23
3.44 | 2.61
2.78 | 1.61
1.68 | 24.04 | | 1979.60 |
| FTSE All-Share | 2407.16 | -0.7 | 2424.81 | 2428.34 | 1951.14 | 3.24 | 2.86 | 1.98 | 21.66
19.46 | | 1995.98
2153.22 |
| FISE At-Succes III | 2412.99 | -07
B4 | 2430.62 | 2434.20 | - | 3,27 | 2.68 | 2.00 | 19.12 | 36.50 | 1110.34 |
| - Fran Actualities inte | | Day's | | | Year | Gross | Net | Net. | PÆ | Xd adij. | Total |
| | | chgs% | Dec 9 | Dec 8 | 820 | yleki% | - | COVER | ratio | ytd | Rebam |
| 10 Mineral Extraction(20) 12 Extractive includings | 4610.82
3112.96 | -0.8
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959.49 |
| 15 Cil, integrated(3) | 5071.08 | -0.8 | 5113.29 | 5162.81 | 3924.55 | 3,43 | 2.77 | 1.77 | 20.57 | 154.87 | 2362.66 |
| 16 OI Exploration & Prod(12) 20 GEN INDUSTRIAL 9256 | <u>3654.34</u>
2001.24 | -0.8
-0.5 | 3693.60 | 3867.56 | 2921,43 | 1.57 | 1,29 | 2.92 | 34,37 | | 2253.93 |
| 21 Building & Construction(35) | 1279.28 | -1.5 | 2011.28
1298.23 | 2011.45
1314.94 | 1955.92
1169.51 | 3.90
3.62 | 3.31
2.92 | 1.97
2.35 | 16.24
14.65 | 68.80
42.12 | 1158.79
1126.58 |
| 22 Building Matie & Merchs(29)
23 Chemicals(26) | 1760.29
2549.72 | -0.3
+0.9 | 1786.36
2527.86 | 1770.04
2521.29 | 1761.38
2349.28 | 4.35
3.90 | 3.59 | 1,93 | 14,89 | 67.23 | 943.41 |
| 24 Diversified Industrials(13) | 1241,22 | +0.5 | 1234.96 | 1244.52 | 1421.19 | 5.49 | 3.40
5.16 | 1.71
2.63 | 18.72
8.67 | 92.51
65.78 | 1285.83
751,17 |
| 25 Sectronic & Elect Equip(34)
26 Engineering(84) | 2225.97
2805.58 | -0.6
-1.1 | 2239.36
2835.59 | 2249.25
2813.97 | 2214.19
2543.39 | 3,99 | 3.23
2.52 | 1.71 | 18.38 | 58.17 | 1214.28 |
| 27 Engineering, Vehicles(13) | 3348.57 | -1.8 | 3407.03 | 3390.88 | 3092.46 | 2.95 | 2.52
2.48 | 2.43
‡ | 17.14 | 73.88
96.68 | 1784,79
1824,81 |
| 28 Paper, Polig & Printing(27) 29 Textiles & Apperei[14] | . 2146.50
1019.86 | -0.3
-0.1 | 2152.89
1021.30 | 2174.11
1024.24 | 2448.35
1056.39 | 4,85
6.61 | 3.98
5.49 | 1.92 | 13.42 | 85.35 | 950,04 |
| 30 CONSUMER GOODSIES | 4895.99 | -0.3 | 4906,47 | 4928.15 | 3700.86 | 3.08 | 2.63 | 1.18 | 15.98 | 62.50
140.08 | 684,66 |
| 32 Alcoholic Beverages(7) | 3393.07 | +0.5 | 3376.19 | 3406.67 | 2595.00 | 3.56 | 3.17 | 215 | 16.35 | 120.20 | 1912.02
1308.91 |
| 33 Food Producers[25]
34 Household Goods[17] | 3833.57
3082. 42 | -0.6
+0.2 | 3354,49
3077.41 | 3351,84
3116.57 | 2584.57
2500.67 | 3,24
3,24 | 2.68
2.83 | 1.92
2.49 | 20,05
15,51 | 99.40
89.82 | 1505.44 |
| 38 Health Care(14)
37 Phermacouticals(19) | 2232.38
8097.53 | -02 | 2232.72 | 2220.88 | 1986.15 | 2.30 | 1.92 | 1.81 | 29.96 | 53.27 | 1281.63
1412.75 |
| 38 Tobacco(3) | 4584.09 | 1,4 | 8050.98
4651.31 | 8097.24
4634.02 | 5700.27
4076.58 | 2,32
6.19 | 1.94
5.46 | 1,70
1.60 | | 171,99
256.01 | 2846.98
1251.15 |
| 40 SERVICES(271) | 2856.39 | -0.9 | 2882.31 | 2896.14 | 2569.04 | 2.89 | 234 | 2.03 | 21.29 | 69.78 | 1554.56 |
| 41 Distributors(28)
42 Leiture & Hotels(30) | 2556.59
3287.67 | | 2586.13
3317.54 | 2605,48
3311,33 | 2966.84
8232.74 | 3.72
2.93 | 3.03
2.34 | 2.03
2.20 | 18.54 | 83.70 | 991.18 |
| 43 Media(41) | 4150.67 | -1,4 | 4210.83 | 4250.09 | 4107,91 | 2.45 | 204 | 1.90 | 19.39
28.85 | 86.70
92.29 | 1835.14
1554,10 |
| 44 Retailers, Food(15)
45 Retailers, General(53) | 2758.13
2323.13 | | 2747.51
2851.£2 | 2751.00
2381.88 | 2055.73
2061.10 | 3.06 | 2.44 | 2.28 | 17.96 | 72.23 | 1855.51 |
| 47 Breweries, Pube & Rest.(22) | 350B.48 | -02 | 3517.03 | 3521.86 | 3249,30 | 3.13
3.39 | 251
271 | 2.17
2.30 | 18.35
16.02 | 65.06
69.34 | 1398.83
1758.31 |
| 48 Support Services(59)
_48 Transport(23) | 3467.46
2831.00 | | 3494.87
2869.68 | 3496.94
2976.32 | 2732.89
2605.37 | 1.77 | 1.45 | 228 | 30.88 | 43.18 | 2270.32 |
| 60 UTILLTIENÇIES | 3469.32 | | 3476.35 | 34755.99 | 2438.85 | 3.46 | 2,82
3,13 | 1.82 | | 88.38 | 1292.20 |
| 62 Bectricity(9) | 3842.58 | . | 3842,44 | 3961.92 | 2635.46 | 4.86 | 3.89 | 2.12 | 19.87
12.15 | 94.84
144.37 | 1624.55
2203.19 |
| 64 Ges Distribution(2)
65 Telecommunications(3) | 2544.88
2702.88 | | 2570.70
2713.21 | 2577.52
2581.66 | 1470.95 | 2.56 | 2.05 | # | # | 81,42 | 1457.49 |
| 68 Water(12) | 3250.93 | | 27 3-2
3239.67 | 2001.00
3259.21 | 2034.33
2228.70 | 3.26
5.24 | 2.63
4.19 | 1.47
2.21 | 26.09
10.78 | 48.30
115.89 | 1302.38
1967.79 |
| 59 HON-FINANCIALS(863) | 2419.13 | -08 | 2432.83 | 2440.27 | 2030.91 | 3.33 | 2.74 | 1,87 | 20.09 | 65.42 | 1943.93 |
| 70 FEIANCIALS(104)
71 Banks, Rebell(1) | 4800.53 | | 4858.34 | 4843.45 | 3361.26 | 3.09 | 2.50 | 241 | 16.73 | | 2188.50 |
| 73 Insurance(17) | 7123.41
2104.40 | | 7248.24
2142.91 | 7229.42
2105.38 | 4834.84
1558.25 | 285
421 | 2.36 | 2.53 | 16.71 | 190.98 | 2459.17 |
| 74 Life Assurance(8) | 5771.10 | +0.3 | 5751_90 | 5778.43 | 3926.15 | 3,17 | 3.47
2.50 | 2.78
2.26 | 10.69
17.45 | 84,84
162,17 | 1708.82
2540.84 |
| 77 Other Pinancial(26)
78 Property(42) | 3750.49
2172.72 | | | | 2774.18 | 2.81 | 2.36 | 2.06 | 20.85 | 98.53 | 2257.88 |
| 80 INVESTMENT TRUSTS(125) | 3397.35 | | 2166.55
2426.45 | | 1691,19 | 2.98 | 2,45 | 1.41 | | 49.14 | 1407.45 |
| 89 FTSE All-Share(882) | 2407.16 | | | 3428.28
2428.34 | | | 1,82 | 1.17 | | | 1226.35 |
| 105 FISE AU-Shipp ex (1)(767) | 2412 <u>.9</u> 9 | | 2430.62 | | 1831.74 | 3.24
3.27 | 2.55
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2.00 | | | 2153. <u>22</u>
1110.34 |
| FTSE Redging | 1252.25 | <u>, </u> | 1252.86 | 1251,82 | | 3.29 | 2.54 | 1.18 | 32.22 | | 1370.31 |
| FTSE Pedigling as IT FTSE AIM | 1269.36 | <u></u> | 1268.73 | 1267.19 | | 3.59 | 2.88 | 1.20 | 29.99 | | 1383.03 |
| | 970.7 | -0.6 | 976.8 | 97B.3 | - | 1.16 | 0.92 | 0.88 | BC_00† | 7,79 | 893.27 |
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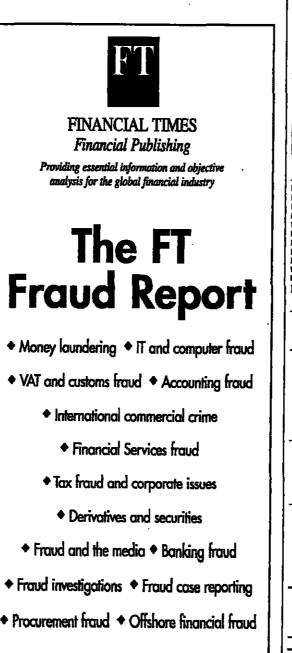
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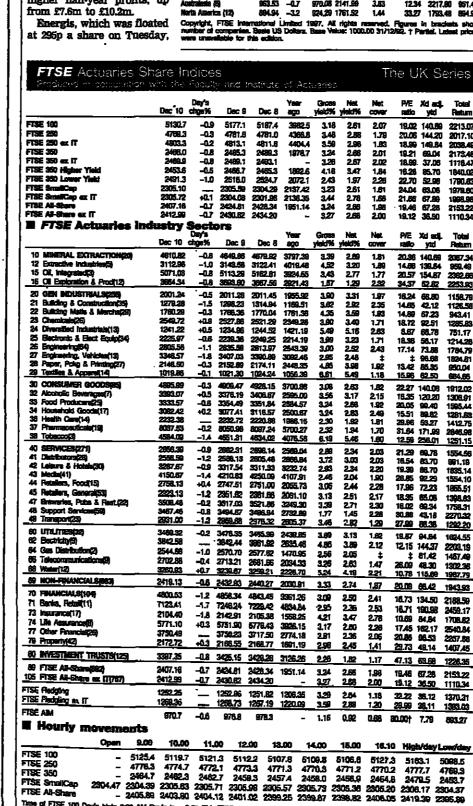
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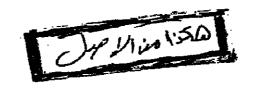
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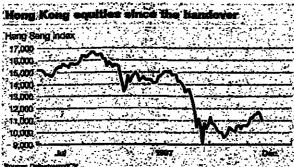
Eastern declines cause 'rest of world' jitters

WORLD OVERVIEW

After a period when the markets seemed willing to turn a blind eye to the Asian crisis, a round of declines on far eastern bourses had a knock-on effect in the rest of the world yesterday, writes Philip Coggan

With the Japanese financial package being postponed, there was little in the way of positive news from Tokyo to stabilise the markets, and investors in any erament bringing forward took its toll on Hong Kong case seemed to have second thoughts about the merits of the purported plan to issue Y10tr worth of bonds.

Korea's stock market



measures to encourage foreign investment. However, the won took another battering and the suspension of Seng index shed 4 per cent. five merchant banks exacer-

where, after a steady period, selling pressure on the currency resumed. The Hang The ricochet effect of

per cent to FF1350.

The hot rumour at Paribas

swung away from Tuesday's

takeover by GE Capital of

the US to an outright merger

with rival French banking

But the broad market was

dull with the CAC 40 index

slipping 27.22 at 2,932.18.

Motors led the way down,

with Michelin off FFr14.90 or

4.6 per cent at FFr310.20 and

Renault retreating FFr7.90 or

4.4 per cent to FFr170.10.

group Société Générale.

Tuesday was blamed on a fall in technology stocks following a profits warning at Oracle. The US software company blamed the turmoil in Asia for its earnings downturn, and tech shares were still being affected by its comments vesterday.

Europe was also hit by a downturn in the dollar and by another fall on Wall Street in early trading, as J.P. Morgan blamed unsettled stock markets for lower earnings in the fourth quarter. This all combined to send the FTSE Eurotop 100 index down 1.2 per cent. Analysts continued their

porate earnings in the rest of such as high transport costs, the world. A note from the team at

Dresdner Kleinwort Benson said: "Exchange rate devaluations in east Asia have significantly reduced the prices at which a number of east Asian countries are able to sell into world markets over the space of only a few months. We believe that South Korea and Taiwan pose the greatest threat to the greatest number of European companies."

However, Dresdner said that the split of companies affected would not be

a weak Wall Street close on Asian crisis would affect cor- will have characteristics

Some commentators are suspicious of the recent revival in world markets. Edmond Warner, global strategist at NatWest Markets, said: "Year-end liquidity is playing havoc with a rational assessment of equities. Fund managers are finding themselves with too much hard cash. Investors should take care not to get drawn into these temporary year-end rallies, especially not in Asia."

Banks press ahead in Paris

stand at 15.674.

MADRID fell across the

board, with dealers reporting

widespread profit-taking.

The general index fell 8.28 to

Telfónica, which has ral-

STOCKHOLM and HEL-

SINKI were driven lower as

heavyweight technology

stocks fell in response to

Fears that slowing Asian

sales would hit growth were

Tuesday's high-tech sector

correction in New York.

lied 21 per cent since Novem-

High-tech stocks suffer at midsession

AMERICAS

The Dow Jones Industrial Average dipped below the 8,000 point level in morning trading as stocks continued to be battered by bad news from Asia, writes John Authers in New York. High-technology compa-

nies were particularly badly hit, as the repercussions of Oracle's disappointing earnings statement, announced late on Monday, continued to be felt. Sentiment was further harmed in mid-morning by a profits warning from J.P. Morgan, the only bank stock in the Dow's 30 constituents. It said it had been adversely affected by trading losses during the fourth quarter, largely as a result of the Asian currency crisis, and would not match its earlier expectations.

By midsession, the Dow was trading about 100 points below its opening, off 97.47 at 7.952.19. The broader S&P 500 index was down 1.1 per cent at 964.84, while the Nasdaq Composite, which includes the largest technology companies, was off almost 2 per cent, down 31.02

By midday, J.P. Morgan's shares had slipped 3.2 per cent, off \$3% at \$119, in spite banks with strong international exposure were also hit with Chase Manhattan off 2.8 per cent and Citicorp

Technology stocks sufworries about Asia forcing sharp reductions for all the C\$66.90.

By midday, Bay Networks per was down 10.9 per cent, while Compaq and Dell, both large computer manufacturers, were off 5.7 and 5.3 per cent respectively. Intel, the largest semiconductor manufacturer, was down \$2% at

Among the 30 Dow constituents, International Business Machines was the worst affected, off 3.9 per cent or \$41/4 at \$1061/4.

Bad news afflicted other sectors. Shares in Corning, the manufacturer, fell \$2% at \$39% after it announced that its agreement to sell its consumer products division had

Speculation that Merrill Lynch was backing off from negotiations to buy Hambrecht & Quist, the largest independent west coast investment bank, because of speculation about the high price it was preparing to pay, saw the latter's shares fall sharply - down \$3\\ or 8.7 per cent at \$38%.

TORONTO moved lower, hit by the weak opening on Wall Street and profit-taking among the heavyweight banks. The 300 composite index was off 25.09 at 6,741.90

After recent steady gains, of its announcement, at the the banks sector fell back same time as the profits and techs were a downside warning, of a share buy-back. Other "money centre" works, off C\$4.55 on Tuesday, fell a further C\$3.85 to shake-out for US computer software stocks.

Royal Bank lost 20 cents to treal came off 20 cents to

| • | | | | | | | |
|---|--|---|---|--|--------------------------------------|------------------------------|---|
| UROPE | FTSE Actua | eries Sha | are ted | ices | 12 | игореа | n serie |
| ank shares continued to
ash higher in PARIS in
eavy two-way volume as | December 10
National & Regional
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Index | Day's | . change
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gross % | ल व्य | Total reto
(Ecu) |
| keover rumours gained
ound against the trend of | FTSE Eurolop 300
FTSE Eurolop 100 | 976.64
2258.86 | -1.15
-1.17 | -11.37
-26.69 | 2.30
- | 0.00 | 983.61 |
| broadly weaker market.
Paribas rose a further 9
r cent for a three-day gain
of almost a fifth. It | FTSE Eurobop 300 Re
300 UK
300 Br-UK
300 Broblec
300 Br-Euroblec | 990.95
999.08
956.69
991.81 | -1.19
-1.13
-1.32
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-10,37 | 3.18
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| vanced FFr44 to FFr537 in
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ined FF12.60 to FFr429.60,
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964.55
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1006.98 | -0.97
-2.16
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-0.93 | -9.18
-20.16
-10.15
-17.11
-8.49 | 2.92
2.16
1.89
2.28
2.97 | 0.00
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1014.95 |
| ID homood FFr-97 90 or 8.4 | Firmanchale | 1034.86 | -0.45 | -4.72 | 222 | 0.00 | 1040.49 |

already holds a 20 per cent stake in the retailer, wanted to gain a majority holding. Karstadt rejected the speculation as "nonsense".

ZURICH turned its attention from the banking sector to the chemicals and pharmaceuticals companies and the SMI index pulled back after two days at record levels to close 46.6 lower at 6.056.6.

Ciba Speciality Chemicals and Clariant both put in early spurts on a retelling of old rumours that the companies were likely takeover

Ciba, up at a high of SFr179 early in the day, turned back to close SFr2 weaker at SFr170. Clariant held on to SFr29 of its advance to close at SFr1,199. Among the banks, UBS

and SBC gave up some of the sharp gains racked up in the previous two sessions after they revealed their merger plans on Monday. UBS bearers gave up SFr20 to SFr2,16 and SBC lost SFr6 to SFT469.50.

In the insurance sector, where the bank merger set off rumours about imminent restructuring moves, Swiss Re added SFr63 to SFr2,460, with Mr Martin Ebner's BZ Bank said to be a buyer.

AMSTERDAM came down in line with Franfurt, losing 13.70 to 910.30 on the AEX

Ahold and Hoogovens both fell more than 4 per cent, with the retailer slipping Fl 2.30 to Fl 52.20 and Hoogovens retreating Fl 4.10 to wake of disappointing F192.40. KLM ran into clear profit-taking, slipping Fl 3.60 to FI 74.90 after two days of substantial gains on the back of pan-European alli-

ance talk. MILAN slipped back as Tuesday's rally in banking stocks went into reverse. Talk of foreign selling hit ner Bank climbed DM1.30 to Credito Italiano, which DM81.30. Credito Italiano, which ended L215 lower at L5,106. BCI was L48 lower at L5,298.

Karstadt jumped DM15 to

Ericsson, which lost SKr13.50 to SKr293.50. Nokia of Finland retreated FM19.10 to FM403. Both account for a large proportion of their local indices, and the Stockholm general index lost 47.87 to 2,974.38, while the Helsinki general index slid 76.86

MOSCOW fell by nearly 5 per cent following news reports that President Boris Yeltsin had been admitted to hospital. Although the reports claimed Mr Yeltsin was only suffering from a cold, dealers were unnerved by the government's refusal to comment on the story. The RTS index ended 18.18 lower at 369.16.

Written and edited by Michael Morgan, Jeffrey Brown, Jona-

SOUTH AFRICA

ber 12, was a principal tar-Shares in Johannesburg had get. The shares lost Pta110 another dull session, movor 2.4 per cent to Pta4,490. ing lower across the board Utility group Iberdrola, another stock that has perin thin volumes with the all formed strongly in recent share index slipping 61.4 to weeks, fell Pta80 to Pta2,000.

Industrials led the way, falling to their lowest level since October 1975 in intraday trading before they eventually settled at 7.350.0. down 84.8 or 1.1 per cent. JCI came off R1.10 to R22.90. Golds eased 2.2 to behind the slide at Sweden's 674.8.

EMERGING MARKET FOCUS

Drinks could be on Israeli banks

community and policy-makers toasted in Tel Aviv this week the state's sale of Bank Haposlim, the country's biggest, to a group of private investors. But a conflict is brewing behind the celebrations.

Bank Hapoalim is resisting a government initiative aimed at breaking big banks' control over provident funds, popular long-term savings funds worth about Shk90bn (\$25.5bn). Through its control of about 60 per cent of these funds, Hapoalim maintains a tight grip on Israel's capital markets.

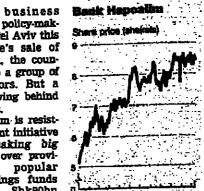
"When the three biggest banks control most of the liquidity in the equity and fixed income markets through provident and mutual funds, you end up with a small number of decision-makers and a serious concentration problem," said Guy Rolnik, a markets commentator from

the Israeli daily Ha'aretz. There is an acute conflict of interest since the banks are both lenders and underwriters and have many vested interests."

The consequences of such concentration were felt during a crisis in the Israeli bond market last year that was blamed on huge redemptions of provident funds. Reducing bank control over these funds would boost liquidity, say analysts.

Last year, a bill designed to build Chinese walls between the banks and their funds passed its first of three parliamentary readings. The nub of the proposal was to force the banks to relinquish control of provident fund investment boards. The bill has gone back to the drawing

Michael Kleiner, chairman of the Knesset [parliament] subcommittee on capital markets, who is responsible for pushing the bill through, says building Chinese walls is insuffi-



cient. "I'm not excited about the proposal," he said. "Fund owners must be responsible. And to be responsible, you need control. The funds should be separated completely from the banks or else we must prevent conflicts of interest

using stricter measures." David Tadmor. Israel's new antitrust commissioner, has appealed to the government to strip the banks of provident funds. Government officials say

spinning-off the funds is not realistic because there are not enough buyers to take over the sizeable funds. Instead, they want to expand on the original bill to neutralise the banks' influence. Proposals under discussion would institutionalise supervision over administrative fees charged by the funds and limit the amount bank-owned funds may invest through their own banks.

Fearful of losing a big source of profits, Bank Hapoalim has been lobbying hard to prevent any legislation with bite from being pushed through the Knesset. This perhaps, is the most potent sign that the government is serious about reform.

If reforms are indeed near, the Israeli public and market players may soon be able to join the privati-

Avi Machlis

FT writ

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Markets track US lower

followed Wall Street lower in morning trading, notably Brazil where equities fell by almost 5 per cent during the SAO PAULO fell steeply

with the lack of volume failing to steady the impact of what brokers described as relatively light selling. Most of the downside action was ascribed to Wall

Street's weak opening. Index heavyweight Telebras led the way down, sliding 5.8 per cent to R\$115.40.

Latin American centres espa index of 51 most traded shares was off 487 or 4.9 per cent at 9,353.

MEXICO CITY chose to move lower after two sessions of flat trading, "There is no obvious rush to sell. but no one can argue with the current trend in the US." said one broker At midsession, the IPC

index was down 82.77 or 1.6 per cent at 5,029.10. SANTIAGO was also in

bleak mood. The midsession calculation on the IPSA At midsession, the Bov- or 1.8 per cent to 113.57.

Elsewhere the malaise C\$52.35 yesterday morning across the European steel following the overnight sector sent Usinor down FFr5 to FFrr86 while the overnight shake-out for hightech stocks on Wall Street fered most, however, with C\$79.95 and Bank of Mon- cast a deep cloud. SGS-Thompson fell FFr19 or 4.8 per cent to FFr379.50.

FRANKFURT was weak, following the early fall on Wall Street, and the Xetra Dax index finished 70.43 or 1.7 per cent lower at 4,116.70.

SAP dropped DM10.80 to DM551.20 on a downgraded recommendation from a US investment house in the results from Oracle, the US software manufacturer, on

In the banking sector, Commerzbank rose 60pfg to DM68.80 after CS First Boston upgraded its recommen-75pfg to DM125.40 and Dresd-

DM658 on reports that the Led by the banks sector, the



Mergers & Acquisitions gasNatural Advised Gas Natural, iberdrola and Pluspetrol on the R\$622 million acquisition of CEG and Riogás

Bradesco

Advised Bradesco Seguros on the R\$50.1 milion acquisition of União de Seguros

Advised STET Internetional, in concertium with Vicunha, Bradesco and Globopar, on the F\$250 million acquisition of the concession for Band B cellular telephone services in Area 9

Advised CVRD on the acquisition of the RFFSA

Privatisations and restructurings Advised the Government of the State of Bahis on the valuation, restructuring and sale of COELBA for R\$1.73 billion

Advising, through the ITU, the Brazillen Ministry of Communications on the restructuring of the tele-communications sector in preparation for privatisa

Advised the Government of the State of Rio Grande do Sul on the restructuring and valuation of CEEE and the sale of the resulting distribution companies for R\$3.1 billion BLETHOSU Advising the Federal Government, through BNDES, on the restructuring, valuation and sale

of Betrosul and Furnas International equity offerings

COPEL Joint Globel Coordinator for the US\$575 million international equity issue for COPEL. This was the

largest ever primary issue in Latin America

Joint Global Coordinator for the US\$130 million international equity issue for Celesc

Project Finance CBPO Advised a consortium led by CBPO on their successful bid for the Curitiba-Apucarana tollroad in the state of Parana Advised Enron on its winning bid for a 480 MW IPP in the state of Mato Grosso

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Hong Kong dips on weak demand

ASIA PACIFIC

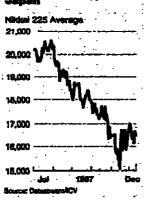
A lack of institutional demand left HONG KONG sharply lower for a second straight day and brokers forecast that a more optimistic tone was unlikely to emerge before the end of the year. The Hang Seng index finished 468.25 down at its low for the day of 11,022 for a two-day fall of 6 per cent. The commercial and

chips down but China plays were the market's worst per-Index heavyweight Hutchison Whampoa dropped HK\$2.75 to HK\$51 in heavy

industrial sector led blue

trade of HK\$503.7m. The red chip Hang Seng China Affiliated Corporations index fell 5.8 per cent while the Hang Seng China Enterprise index of 39 H-shares stumbled 6.3 per

ended 208.39 or 1.3 per cent lower at 16,478.12 after trad-



injections of public funds into the economy and troubled financial industries. sentiment wavered yesterday and shares lost ground in light selling.

Brokers said the plans to stabilise the financial system by issuing Y10,000bn of government bonds was seen as TOKYO gave up some of something of a two-edged the previous day's 3.4 per sword. Moreover, worries cent gains in light turnover. before next week's economic The Nikkei 225 average package and "tankan" sur-

vey had reappeared. The broad-based TOPIX investment. Samsung Elecing between 16,408.89 and index came off 6.91 at 1,241.16 while the Nikkel 300 Having been boosted on gave up 1.47 at 247.38. In Pohang Iron & Steel rose Tuesday by the prospect of Tokyo's first-section volume 3,700 won to 50,000 won.

fell from 470m to 396m The most actively traded share was Long-Term Credit Bank of Japan, which added Y29 at Y260 with 19.8bn shares changing hands. SEOUL struggled to make headway against a sharply

deteriorating economic background; as the won tumbled to record lows the governnt suspended five more troubled merchant banks. The composite index fin-Ished 11.85 higher at 399.85,

mainly because the finance ministry brought forward measures raising to 50 per cent the foreign investment ceiling on domestic stocks. The measures, which will now to come into effect today, had been planned to start on December 15.

However, many analysts dismissed the move as a desperation measure and said that foreign investors were unlikely to buy heavily into South Korea's sick economy. Local investors continued to buy stocks seen as benefitting from greater foreign

tronics ended 3,100 won

higher at 42,200 won, while

TAIPEI pushed higher, with the weighted index adding 170.06 or 2 per cent to 8,503.55. Brokers said buying by both local and foreign institutions was heavy. The index of financial shares rose almost 4 per cent. Cathay Life surged the

daily 7 per cent limit, gain-

ing T\$9.50 to T\$149.5. Shin

Kong Life and Taipel Bank T\$6.50 to T\$100.5 and T\$3.40 to T\$52 respectively. JAKARTA was hit by profit-taking, with the composite index reversing four straight days of gains with a fall of 9.56 or 2.8 per cent to

Index heavyweights Telkom and Astra led the downturn. The former came off Rp150 at Rp3,075 in 17m shares traded and Astra retreated Rp175 to Rp2,150. SINGAPORE was lower, led down by a tumble in Fraser & Neave as investors

415.94.

sharp rise from the recent low of S\$6.55. The soft drinks group dropped 50 cents to \$\$9.15 in active volume of 2.2m, and the Straits Times Industrial index lost 30.70 or 1.8 per cent at 1.703.72.

took profits after the share's